JULY 1933 2/6

THE BANKER

A Journal of International Banking

Vol. XXVII. No. 90

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THE
BANKER

VOL. XXVII July 1933 No. 90

THE HON. LORD MACKENZIE
(whose appointment as Deputy-Governor of the Commercial Bank of Scotland is announced)

A Banker's Diary

Mid-May—Mid-June

The Money Market

THE money market has been quiet and uneventful. Preparations for the War Loan dividend and Whitsun currency withdrawals by the public took a certain amount of money off the market at the end of May, when bankers' deposits were reduced to £77·5 millions, but plenty of money was still available, and rates outside the clearing banks ran as low as ¼ per cent. The payment of the War Loan dividend on June 1 necessitated some Ways and Means borrowing from the Bank and restored bankers' deposits to their normal level of over £100 millions. Money thus became as abundant as usual, and over the Whitsun week-end balances were unlendable at ⅛ per cent. Discount rates simultaneously sagged, until on June 2 a record low Treasury bill tender rate of 5s. 11·18d. per cent. was registered. As the month progressed, however, the clearing banks reduced their bill purchases, as they were preparing for their half-year balance sheets. This caused discount rates to stiffen slightly, and on June 15, "hot" Treasury bills were quoted at ⅜ per cent. and three months' bank bills at a full ½ per cent. The tender rate for June 16 was 10s. 10·9d. per cent. Nevertheless, money remained very plentiful at ¼ and ½ per cent., and June Treasuries changed hands at ¼ per cent. and downwards practically to zero.

The Foreign Exchanges

ALTHOUGH wide fluctuations occurred in the New York rate during the period under review, dealings in the London foreign exchange market have been very quiet and limited. At one time towards the end of May, the New York rate appreciated to 3·85½, but the formal abrogation of the "gold clause" occasioned a relapse to $4·00, while on June 12, the rate temporarily went as high as $4·20, though by a few days later it had recovered to $4·05. A week later, however, the break-down of the stabilization conversations caused the rate to weaken

again to $4·23. The question of stabilization is discussed on a later page, but it may be added that these wide fluctuations were largely sentimental and were exaggerated by the narrowness of the market. Forward dollars, conversely, have been gradually strengthening, until on June 15 the three months' rate stood at 2 cents discount in contradistinction to 4¼ cents at the beginning of the month. This suggests that greater confidence is felt in the dollar, and also points to purchases of forward dollars in anticipation of the autumn crop movements. If so, traders are apparently finding current exchange rates acceptable and are not prepared to await the chance of a further depreciation. French francs have been steady at around 86, while there has been an improvement in the forward Dutch and Swiss rates, which points to some restoration of confidence.

The May Clearing Bank Averages

THE May averages of the London clearing banks contain two interesting features. The first consists of the very welcome increases in acceptances and advances. The former has risen from £94·2 millions in April to £96·5 millions in May, the last figure being the best for the year; while advances have risen from £763·6 to £777·3 millions. While some part of this increase may represent greater activity on the Stock Exchange, there is little doubt that in certain industries there is now a greater demand for banking accommodation, and to this extent the increase in advances is evidence of the upward trend in trade. It is to be hoped that this movement will continue, especially as advances were still £96·1 millions below their level of May 1932, and were only equal to 39·8 per cent. of deposits.

The Bank Cash Ratios

THE other interesting movement is the reversal of the April increase in the banks' cash and also in their ratio of cash to deposits. The actual cash figures of the ten banks were £207·0 millions for March, £218·7 millions for April, and £205·6 millions for May, while the ratios for these three months were 10·8, 11·3, and 10·6 per cent., respectively. An examination of the returns shows that the April increase was common to all the "big five" with the exception of Westminster Bank, and the inference

drawn at the time was that the banks were refraining from bill purchases owing to the low level of discount rates and were also holding off the gilt-edged market owing to its tendency to weakness. If this inference was correct, it appears that the banks have now reverted to their normal policy of acquiring earning assets up to the limit imposed by their traditional cash ratio of about 10 per cent., for between April and May bills increased from £337·8 to £346·1 millions, and investments from £517·2 to £530·4 millions.

Call Money and Securities

THERE are two further points in the May returns which merit passing consideration. The first is the drop in call money from £104·7 to £99·1 millions. This fall is no new movement, and it suggests very forcibly that the policy of the clearing banks in maintaining their minimum call rate of 1 per cent. is driving borrowers to "outside" banks and other institutions who are now prepared to lend at ½ or even ¼ per cent. The clearing banks are admittedly faced with a difficult problem, as clearly they cannot sacrifice further income, but there is an obvious anomaly in the fact that while they will not lend at less then 1 per cent., some of them are buying short Treasury bills at ¼ per cent. The other point is that of the increase in their securities which, in May, were equivalent to 27·2 per cent. of their deposits. Here again, the banks only buy securities because they have no better outlet for their funds, but it is only fair to point out that they now hold a considerable stake in the maintenance of the strength of the gilt-edged market, and to suggest that this fact may impose an upper limit upon the amount of securities they ought to acquire. Their position, of course, is rendered much less vulnerable than it appears by the fact that a large proportion of their securities consist of short-dated Government issues which are comparatively immune from market fluctuations.

The May Trade Returns

THE overseas trade returns for May reflect the slight general improvement in British industrial conditions. Imports for the month were £57·3 millions, against £52·2 millions in April, and £56·0 millions in May last year. Incidentally, they were the highest for any month this

year, while raw material imports were the best since January; exports also improved from £26·4 millions in April, to £30·8 millions in May, the corresponding figure for May last year being £30·2 millions. Re-exports were less encouraging, being £3·8 millions for May, against £3·5 millions for April and £4·4 millions for May last year. The returns for the first five months of this year were: imports, £267·1 millions; exports, £146·9 millions; and re-exports, £19·9 millions. Last year the figures were: imports, £303·0 millions; exports, £156·3 millions; and re-exports, £25·2 millions. This year's adverse trade balance to date is therefore £100·3 millions, against £120·5 millions last year, and, incidentally, £149·9 millions in 1931. An examination of these last three figures suggests that the improvement brought about by the suspension of the gold standard and the tariff has now worked itself out and that no further diminution in the adverse trade balance can be expected. The departure of the United States from gold and the depreciation of the dollar lend support to this view.

The Exchange Equalisation Account

THE Chancellor of the Exchequer has at last yielded to demands from the House of Commons that some information should be given as to the use made of the public money allocated to the Exchange Account. If the Account was to succeed in its object, it was obviously necessary to conceal not only its present state, but also its state during the whole of its existence, for otherwise speculators could examine past fluctuations in the composition of the Account, and by comparing them with contemporaneous movements in the exchanges obtain valuable data to assist them in their future operations. To obviate this danger, which might clearly have defeated the whole object of the Account, the Chancellor proposes only to publish a single average statement calculated from the state of the Account at the end of each month over the period from the inception of the Account to the close of the financial year. This statement will be given to the Public Accounts Committee. The House was satisfied with this very limited concession, which met the principle that Parliament should know what was being done with public money. There is obviously great justification for

the Chancellor's caution, but in view of the fundamental change that has occurred through the American suspension of the gold standard, it is conceivable that more detailed information might have been afforded for the period ending March 31 last, without giving speculators any data which they could safely use.

The Conference—the First Stage

IMMEDIATELY before the assembly of the World Economic Conference it was apparent that its earlier stages would be confined to general statements of diagnosis and policy by the representatives of the participant nations, and that the main work would go on outside. This expectation, which, in fact, has been realized, did not in any way belittle the practical importance of the Conference, for the necessity of clearing the ground for its labours was a potent cause of the progress towards reconstruction which was made during its opening week. Had the Conference not assembled, it is doubtful if this outside work would have been done.

Firstly, as to the Conference itself. Each delegate naturally examined the problems before the Conference in the light of the views held by himself, his colleagues, and the nation he represented, and it must be freely admitted that many of the speeches consisted of generalities and *ex parte* statements. This does not entirely detract from their value, for it was an essential preliminary that each member of the Conference should learn to appreciate the other members' points of view. Thus it need cause neither surprise nor regret that M. Daladier demanded currency stabilization and security as a first essential, that Baron von Neurath and the representatives of the agricultural States called attention to the crushing burden of external indebtedness, that Mr. Bennett held that tariffs would remain a necessary instrument of national policy, or that Mr. Cordell Hull called for a provisional monetary policy and for the determination of the proper functions of gold and silver.

Two speeches stood out from the remainder. The first was that of General Smuts, who roundly hinted that action rather than talk was required, and that the

solution of the problem before the Conference had best be left to the experts who had already achieved a great measure of agreement. Without saying so, he clearly implied that the experts' recommendations should be adopted and ratified not only by the Conference, but by the governments and parliaments of the nations represented there. If democracy were a perfect instrument of government, capable of dealing with difficult economic questions, this would really be all that the Conference need do.

The other speech was that of Mr. Neville Chamberlain, who, in presenting the British case, went considerably more into matters of constructive detail than did the majority of his colleagues. It was, like the others, an *ex parte* statement, and at times he found himself on thin ice when he tried to reconcile a plea for lower tariffs with the present British fiscal policy, or when he attempted to draw a distinction between arbitrary import quotas imposed by countries as an additional measure of protection and quotas established "in pursuance of international agreements to regulate production or marketing so as to restore and maintain a remunerative level of wholesale prices." The testing time for Great Britain and the Empire may come at a later stage of the Conference, if and when there is a general request for some modification of the Ottawa and other trade agreements as part of a general plan to lower international trade barriers, and it is to be hoped that the Empire representatives will be prepared to take the broad view. The monetary side of Mr. Chamberlain's speech was very sound. Before the gold standard can be restored, he said, there must be some rise in world prices, there must be a general relaxation of trade barriers and exchange restrictions, and some technique must be devised of preventing wide fluctuations in the value of gold. Mr. Chamberlain, however, was disposed to welcome temporary *de facto* stabilization, and made the very necessary point that the creditor nations must be prepared to render some measure of assistance to the weaker countries.

* * *

Meanwhile, during the first week of the Conference, important events were taking place outside. First and

foremost came the British Government's decision to meet the American war debt instalment of $75,950,000 due on June 19 by a token payment of $10,000,000 in silver. In making this payment, advantage was taken of the powers conferred upon Mr. Roosevelt by the Farm Relief Act to accept payment in silver at the rate of 50 cents per ounce. This meant that the cost in sterling of the payment was only £1,620,000, whereas at a rate of $4 to the pound it would have been £2,500,000. Moreover, the silver required was purchased from the Indian Government, so that no burden was thrown upon the London–New York exchange, and on the contrary the Indian Government has presumably been provided with additional sterling resources which may prove of great assistance.

In every way this decision is to be welcomed. It saves us from the stigma of default with the obvious precedent which it would have given to our own creditors. It presents both President Roosevelt and Congress with a *fait accompli*, which makes it far easier for them to " save face " with their own electors than they would have found it, had they had on their own initiative to grant us this relief. Most important of all, it finally relegates war debts to the same limbo as reparations. Technically, the Lausanne Agreement remains unratified and reparations demands can be revived, but no sane person supposes that in practice Germany either can pay or will be asked to pay another pfennig. War debts are now in much the same position. It is true that we are to enter upon formal negotiations with the United States at a later date, but no one supposes that the 1923 scale of payments will be resumed.

In effect, the token payment of last month imposes two choices upon us. The first is to continue half-yearly token payments upon much the present scale, and the second is to make a final " lump sum " payment to be financed by a bond issue in New York. Those who favour the second alternative do so in the expectation that the bonds will be repurchased by British investors, so that the transfer side of the war debts problem will finally disappear, but it is by no means certain that this is the best solution. For one thing, it is possible that a bond issue of sufficient magnitude to satisfy the United

States cannot be floated in New York, and apart from this, the repurchases of the bonds may throw an intolerable burden upon the exchanges, so long as they continue. Again, the difficulty Germany now finds herself under in meeting the very moderate cost of the service of the Dawes and Young Loans is a warning against our committing ourselves too light-heartedly to a similar transfer liability to private investors. A final point is that once we suggest a capital payment, we will have to bargain as to its amount with an Administration and Congress which will find it politically very difficult to make us any concession.

On these grounds we are at present inclined to favour the continuance of token payments in silver. Such payments will not impose a noticeable burden upon either our budget or the exchanges, while directly or indirectly they will stimulate a slow rise in the price of silver, which will help to placate certain American interests and will also add to the purchasing power of our important markets in the Far East. It is quite possible that the extra business and profit this will bring to the Lancashire cotton trade, and the extra revenue which will come from Lancashire to the Exchequer, may more than compensate for the cost of these payments. Still, we quite agree that the next step is to enter into negotiations with the United States without too many preconceived ideas. The only reservation we make is that if a basis of agreement cannot be found, then we must make the best offer we can, to be accepted or rejected by the Americans, and that we should regard rejection as equivalent to cancellation. If Congress is politically unwilling or unable to meet us, it would, as we have already said, be best to present it with a *fait accompli*.

* * *

The next important move was the conversations between Treasury and central bank representatives from London, Paris and New York, which began on the same day as the opening of the Conference. Ever since the Central States departed from the gold standard the dollar had been subject to wide fluctuations, and it was obvious that if these continued during the sessions of the Conference, they would create a most unfavourable

atmosphere and render it very difficult for any practical decisions to be taken. *De facto* stabilization, at least during the Conference, was necessary, and, indeed, had time permitted, conversations towards this end would doubtless have been initiated in advance of the Conference. As matters stood, there is no doubt that the various representatives met in London for this purpose, those from the Treasuries to discuss broad questions of policy and those from the central banks to give advice and arrange technique. When on June 16 it became known that the British Chancellor of the Exchequer had requested the Chairman of the London Stock Exchange to use his influence to limit international dealings in securities of a kind calculated to affect the exchanges, it was perfectly clear what was happening. The authorities were anxious to prevent a sudden rush of money from London to New York, such as would arise from a British participation in a Wall Street equity boom or from the return of American short money from London to New York, and their main motive for doing so must have been a desire to keep the ground clear for *de facto* stabilization. No doubt their immediate objective was to maintain stability during the Conference, but if they arranged a scheme which had a more permanent basis it could be expected that the Conference would be only too glad to take it over and develop it.

Now, the rate of about Frs. 85 to the pound which was then current between London and Paris had already proved itself, for there was no evidence of any one-way flow of funds across the Channel, and the fact that for some time past the Banque de France had neither gained nor lost much gold suggested that a reasonable degree of equilibrium existed. The real crux was the dollar, and at the moment of writing the problem remained unsolved. During the early part of the year an exchange of about $3·50 had been current and had on the whole justified itself, for apart from the efflux of panic money from New York, rough equilibrium had again existed. The adoption of inflationary powers by the Administration, the suspension of the gold standard, and the rise in American internal prices had fundamentally altered the situation, and taking every relevant factor into account—including the admitted over-valuation of sterling from 1925 to

1931—there was, on the basis of relative price-levels current in both countries in early June, a case to be made out for a stabilization rate of $3·70 to $3·80. According to unsubstantiated rumours, however, the rate generally favoured was $4·05, and this at once raised the question whether we ought to accept it. A strong body of British opinion, with bitter memories of our difficulties of 1925 to 1931, held that we ought not.

The position, however, was not quite so simple as that. American policy was definitely and deliberately in the direction of raising internal prices, so as to alleviate the burden of mortgage and other internal indebtedness, and the majority of the American people neither knew much nor cared much about the level of the foreign exchanges. Now were the American representatives to accept a rate of $3·80, they would automatically inhibit themselves from bringing about any further internal price increase, unless and until sterling prices could be raised as well. There was, therefore, this much to be said in favour of our accepting $4·05, that it gave the Americans leeway for a further increase of up to 10 per cent. in their internal price-level without upsetting the sterling-dollar equilibrium. It was essential that in return for accepting $4·05 we should receive a definite assurance that such a 10 per cent. rise in American prices should come about at once, but as this only meant that the Administration at Washington should carry on with its own declared policy, such an assurance should be easy to obtain.

This is as far as it is possible to go at the moment of writing, especially as the American Administration rejected the proposals for stabilization put before them, so that for a time at least the negotiations have broken down. There are, however, two general comments to be made. The first is that it is so important for the World Economic Conference to be able to deliberate in an atmosphere of stable exchanges, that if it proves possible to renew the conversations we would be willing for the British representatives to agree to a reasonable conference. The second is that even if a *de facto* rate is ultimately accepted, it will have to stand the test of experience. If the wrong rate is accepted, whether by compromise or not, the fact will soon become apparent

and a new rate will have to be found. These will not probably be the only central bank and Treasury conversations to take place during the next twelve months.

* * *

The third practical development that occurred during the first week of the Conference was the meeting in London between Dr. Schacht and committees representing Germany's long-term and short-term creditors. The question of Germany's external indebtedness and the proclamation of a transfer moratorium to take effect on July 1 is discussed at length on later pages, and little need be said here. It is common ground that a contraction in both Germany's import and export trade has led to a shrinkage in her export surplus out of which the service of her external indebtedness can alone be met, and it is pertinent to add the general economic truth that the suspension of international debt payments is an inevitable consequence of the growth of trade barriers and restrictions whose cumulative effect is to reduce international trade to zero. For the recent growth of trade barriers, Germany herself must bear her share of responsibility, and to that extent in proclaiming a transfer moratorium she does not come before the court of world opinion with clean hands. Moreover, there is some statistical evidence that even out of her present attenuated resources she could at least meet the service of the Dawes Loan, which she should not forget rescued her from the depths of inflation and poverty in which she was plunged ten years ago.

Apart from this, Germany can claim to be a particular case of one of the most important of the general problems which the Conference has to solve, namely, the revival of international debt payments through the revival of international trade. Germany herself has partially recognized this truth, for her liabilities under the standstill agreements are expressly exempted from the transfer moratorium, on the very proper ground that the machinery for the financing of international trade and the liquidation of short-term commercial obligations must be kept in working order. The Foreign Bankers' Committee, in its turn, has made certain concessions, for it has agreed that all repayments of capital shall be temporarily suspended, that repayments due by the Golddiskontbank and amounting to Rm. 75,000,000 shall be postponed

until February 28, 1934, and that the various standstill committees shall recommend a reduction in the rate of interest. At a meeting with representatives of foreign long-term creditors, Dr. Schacht agreed that the Dawes Loan had a legal transfer priority both for service and amortization, and was prepared to have regard to the predominant opinion that the Young Loan should rank next, though a suggestion that sinking fund payments on the Young Loan was by agreement referred to the Bank for International Settlements. As regards other debts, it was generally agreed that transfers of interest should have priority over transfers of capital. These tentative and provisional expressions of opinion contain the seeds of a compromise which it is to be hoped will have matured by the time this account is published.

* * *

Meanwhile, the World Economic Conference has gone into Committee, and it remains to be seen what results can be achieved. At least it may be said that its opening week witnessed several major events which were fraught with promise for the future.

The German Default

By Paul Einzig

IN a fourteenth-century French play, " Maître Pathelin," a lawyer advises his client, who was caught at thieving, to pretend to be a lunatic throughout the trial. His client followed the advice and was acquitted. When, however, after the trial the lawyer claimed his fee, his client continued to pretend to be a lunatic. We are reminded of this story by Germany's attitude towards her commercial creditors. While she was standing her trial for her reparations liabilities her commercial creditors put up a strong defence by arguing that she was unable to provide the means for the transfer of the service of her political debt. As at Lausanne the payment of reparations has been practically terminated, the counsels for the defence hoped to be compensated for their successful efforts by a scrupulous observance by Germany of her non-political liabilities. They reckoned, however, without

their client. If Germany sought to get rid of her political liabilities it was not in order to be able to honour her signature on her commercial liabilities. On the contrary, the very same arguments which we used in favour of the cancellation of reparations are now being used by Germany in her effort to evade the payment of her commercial debts.

The main argument is that the export surplus is not sufficient for meeting the full service of the external debt. In support of this argument, a spectacular decline of the Reichsbank's gold reserve has been staged by the uncalled-for repayment of the credits granted by a group of central banks headed by the Bank of International Settlements, and of the Gold Discount Bank's dollar credit. But for these voluntary repayments the decline in the gold reserve would have been too moderate to be impressive as an argument in favour of the transfer moratorium. The figures of the trade balance are in themselves hardly suitable for proving the necessity of such a drastic measure. It is true that, in theory, the monthly amount of the export surplus has declined below the requirements of the service of the external debt. Allowing for the depreciation of sterling and dollar on the basis of their present level, the interest requirements for the next twelve months run to about Rm. 80 millions per month, while repayment of principal will require an additional Rm. 200 millions for the year, making a total of under Rm. 100 millions per month. Against this, the visible export surplus declined to Rm. 60 millions per month. On the other hand, leaving the debt service out of account, invisible items are decidedly in favour of Germany, to the extent of at least Rm. 20 millions per month. The real deficit is, in theory, rather less than Rm. 20 millions per month, which could be met by suspending the transfer of repayments, without having to interfere with the interest service. In practice, however, there is no deficit. It ought to be borne in mind that during the last two years many German debtors have taken advantage of the slump of their bonds abroad for repurchasing them at a low price. A considerable part of the German bonds issued abroad has found its way back to Germany, so that the amount actually required to be transferred to meet their service

is much smaller than the official figures. It may be stated, therefore, that with a little goodwill Germany could well afford to meet her external debts in full.

If in spite of this she declared a general transfer moratorium, making exceptions only for certain classes of debts as a special favour, it is because this little goodwill is lacking. The funds are needed for financing public works. Before coming to power, Herr Hitler promised his followers the millennium, and now he is anxious to fulfil at least a fraction of his promise—at the expense of Germany's foreign creditors. His ambitious scheme of unemployment relief, involving the outlay of Rm. 1,000 millions, is based on the assumption that it will be financed out of the retained resources of foreign creditors.

Once the decision was reached, it was a matter of detail to find an adequate formula and adequate excuses for retaining those resources. This part of the work was left to Dr. Schacht, who set about it with supreme skill. In the first place, he placed the leading central banks under obligation by repaying their credits—a repayment which came as a windfall to them. In the second place, he placed the banking creditors of Germany under obligation by letting them off lightly, with a reduction of ½ per cent. on standstill credits and a few other minor alterations in the Standstill Agreement. In the third place, he admitted the priority of the Dawes Loan and a certain degree of preference to the Young Loan, with which loans the authorities and banks of the creditor countries were chiefly concerned. He was generous to these classes of creditors, presumably in the hope that they will leave the rest to their fate. Without the active support of the banks, the holders of the various German loans issued abroad would hardly be in a position to put up a good fight. As their claims are well in excess of those of the " privileged " creditors, it appeared worth while to place the latter under obligation.

The scheme would work well if the cynical assumption that banks are prepared to throw their clients overboard were correct. As far as England is concerned, however, it is contrary to the traditions of bankers, who fully realize their moral responsibility for the loans they issued. Although their direct interest in the long-term bonds is negligible, they are not likely to allow the

holders of these bonds to be victimized. There is reason to hope that the long-term creditors of Germany will be supported to the utmost by the banks.

It ought to be borne in mind that British creditors of Germany are in a very strong position, owing to the surplus of British imports from Germany over German imports from Great Britain. By the establishment of exchange clearing arrangements, the British authorities could easily secure the full payment of the service of German debts to this country. Our banks have hitherto been opposed to exchange clearing arrangements, which are contrary to the spirit of freedom from official interference inherent in the traditions of the City. As, however, under the pressure of necessity the banking community discarded in 1930 its free-trade traditions, it is possible that its free-exchange traditions will share the same fate if the German default should make it necessary to safeguard the interests of British creditors by the adoption of exchange clearing.

Matters of Law

(By our Legal Correspondent)

THE Solicitors Bill promoted by the Law Society has for its object the protection of the public from fraudulent solicitors. As soon as the terms of the Bill were appreciated by bankers it became evident that unless some kind of provision were included for the legitimate protection of bankers there might be a very heavy risk put upon them, especially in view of the hard and impracticable standards of duty set up for the collecting banker by the Courts of Law in recent cases. We are glad to say that this necessary protection is likely to be accorded, as the Law Society, as one would expect, at once perceived the difficulty. The Bill confers upon the Law Society the power of making regulations for the opening and conduct of banking accounts by solicitors, and it is contemplated that every solicitor must open a Client Account. All clients' moneys must be paid into it, and no money of a client is to be paid into any other banking account. Further, no moneys other

than those of clients shall be paid into such account. This would make compulsory by law the practice with which bankers are familiar, of a client account, or a " No. 2 *a/c*," or an account in some other way earmarked. But at present there is no compulsion, nor is there any legal offence committed by a solicitor paying clients' money into his own account or putting his own money into the " No. 2 *a/c*." The new Bill, by introducing compulsion, might easily place upon bankers a new burden. In the frequent transactions that occur would it be expected of a banker to be on his guard and inquire in every case into a payment or a collection where a solicitor was concerned at the risk of being accused of " negligence "? The Bill having gone through the Commons was read a second time in the Lords on May 23, but on May 30, on Report stage, an amendment on behalf of the bankers was considered, and on June 15 the Bill, amended, was returned to the Commons. In due course we anticipate that the necessary amendment will be approved by the Commons, and that the Bill will become an Act with that amendment substantially intact. We must await the final form of the protecting clause, but can have no doubt that its intention will be expressed as well as possible so as to put the banker in no different position than he already stands in as regards all fiduciary accounts. His position as collector of cheques for a customer is sufficiently perilous as it is, as we have been reminded lately in the Savory case.

That case is at last reported in the June issue of the Law Reports (1933, A.C. 201), where is a full record of the House of Lords proceedings. *Lloyds Bank* v. *E. B. Savory & Co.* has already been treated fully in our pages, but a careful re-perusal of the fuller account of the judgments now available in the official Law Reports will deepen the disquiet with which we must regard that decision. The dissenting Law Lords (Lords Blanesburgh and Russell of Killowen) give their opinions shortly, but most convincingly, and in pure law we venture again to say that their concise but clear statement of the case is transparently right. They stand out in contrast with the powerful and able judgments of Lords Buckmaster, Warrington of Clyffe and Wright. Of these the last named is most exhaustive, but with great deference to

these great judges one is struck by the contrast between their reasoning and that of the minority. Really Lords Blanesburgh and Russell seem to adhere to the well-recognized standard of duty, and the majority appear to be enlarging that standard out of all relation either to practical banking or to sound legal principle. We advise our readers once again to read *all* these judgments *in extenso*, and they will be more and more impressed with the matter we have so strongly urged, namely, that the banks' own rules and evidence have largely contributed to encourage the view of the majority.

A curious and interesting point arose in the case of *Latham* v. *Goldsbury*, reported in the June number of the Law Reports (1933) 1 K.B. 844. A licensee of a public-house under the brewers, Messrs. Watney, Combe, Reid & Co., Ltd., had deposited with the brewers several sums amounting to £750 as security for the due performance of the terms of his tenancy. The brewers gave him deposit receipts for these sums, and these receipts were lodged by the tenant with his bankers as part security for his overdraft, which was also guaranteed by a Mr. Goldsbury. No notice of this charge on the receipts was given by the bankers to the brewers. On October 19, 1931, the tenant, having become insolvent, his guarantor, Mr. Goldsbury, paid off the overdraft to the bank and thereby became subrogated to the rights of the bank, which continued to hold the deposit receipts on his behalf. Still no notice of any charge on the receipts was given to the brewers. On October 30 a receiving order was made against the tenant on his own petition, and it was only six days after this that the bank, for the first time, gave to the brewers notice of charge in respect of the deposit receipts. Now as a result of the trading between the brewers and their tenant, after applying such part of the deposited £750 as was necessary to discharge the tenant's liability, there remained, as at March, 1932, a balance due to the debtor of £218 8s. 4d. Here arose a rather unusual position. Mr. Goldsbury, as the successor in title to the bank, commenced an action against the brewers claiming this balance. On the other hand, the trustee in the tenant's bankruptcy opposed, and put in his claim to the balance as being under Section 38 (*c*) of the Bankruptcy Act, 1914 (1), a

debt " growing due " to the bankrupt at the date of the receiving order, and in his possession, order, or disposition at that date in such circumstances that he was the reputed owner thereof. The brewers very naturally obtained an inter-pleading order, and the issue was tried as between the trustee and Mr. Goldsbury. The latter gentleman, of course, had only such rights as the bank would have had, and it might easily have been that the bank itself would have been faced with the litigation.

Two questions fell for decision: (1) In the circumstances could the balance be said to be technically within the words of the section at all as a debt " growing due "? (2) even so, did not the charge entitle the bank, and afterwards Mr. Goldsbury, to claim as against the estate? We do not suppose that there can be much doubt about the latter question. The bank never really completed its charge. It gave no notice to the holder of the fund until after the act of bankruptcy. This meant that if the trustee had title to the money as part of the debtor's estate by virtue of Section 38 (*c*), his title had accrued before any notice of charge was given. This is, in short, the decision of Mr. Justice Avory on that point. He had already given an affirmative answer to the first question. In itself that question is of interest, and was strenuously contested on behalf of Mr. Goldsbury and the bank. The case in point is only one of many variants of the problem that will be familiar to many practical bankers. At first sight it might be doubted that this balance ever was within the order and disposition of the bankrupt and part of his estate. But the judge relied on a Court of Appeal interpretation of the words " growing due." " It seems," said Lord Hanworth, M.R., " that the words intend something that in the course of the trade or business will ripen into a debt, though not a debt, and only in an inchoate state at the commencement of the bankruptcy." These words really appear to " hit " the case of a balance problematical at date of bankruptcy, but " growing due " when the account is later struck as between debtor and creditor. This being decided, however, where is the " reputation " of ownership or disposition in the bankrupt? Here again higher Courts have been invoked. Lord Selborne had pointed out long ago that the doctrine of reputed ownership is much

wider than an investigation into the actual facts of a particular case. "The Court must judge from the situation of the goods what inference as to the ownership might be legitimately drawn by those who know the facts."

In the case under notice a security is left with the brewers with the intent that the balance not required for the tenant's debts to the brewers is to revert to the tenant. No notice is given by the bank of any charge or assignment of the debt before the commencement of the bankruptcy. Where in such circumstances the opportunity of giving notice exists, the fact of it not having been given to the book debtor may surely be evidence of the consent of the true owner to the debt remaining in the reputed ownership of the bankrupt. Hence when Mr. Goldsbury paid off the overdraft and took up the bank's "security" he took what was in effect no security at all.

In the same volume of the Reports there is another case well worth attention, since once again, and in a new form, is revived the old troubles that bankers among others have encountered as to the personal liability of those who are administering insolvent estates. This time it was sought to make personally liable a liquidator of a company appointed by the Court for the performance of contracts which he did not disclaim. In the case of *Stead, Hazel & Co.* v. *Cooper*, 1933, 1 K.B. 840, the liquidator of Trent Mill (1920), Limited, was carrying on the business of the company and requested the plaintiffs to continue delivery of cotton as contracts made with Trent Mill Co., Ltd. The action for breach of the contract by not accepting certain deliveries was brought against Mr. Cooper, the liquidator, personally. He, of course, pleaded that he acted solely as liquidator and agent for the company, and that he was under no personal liability. Counsel for the plaintiffs contended that a liquidator appointed by the Court is in exactly the same position as a receiver and manager appointed by the Court, and that there is a presumption that when he performs a contract without disclaimer and makes a new contract he does so in his personal capacity, and this presumption is not rebutted by his describing himself as liquidator. The learned judge, Mr. Justice Lawrence, explicitly

repudiated this contention. A liquidator appointed by the Court is an agent for and acting in the interests of the company, whereas a receiver and manager appointed by the Court is acting for the debenture holders.

There is no presumption such as was contended for in the case of a liquidator. If this be right then bankers will in dealing with such persons do well to remember the distinction. A further point was made that Section 267 of the Companies Act, 1929, which gives a liquidator the right to disclaim any contract which he thinks onerous, involves the proposition that if he does not disclaim a particular contract he becomes personally liable on it. This, too, the judge rejected. If he was not personally liable before the statutory provision it would require clear words to create such a personal liability, and there are no such words. One cannot imply from it the right to disclaim any such far-reaching inference as that contended for, which, indeed, is not consistent with subsection (2) of Section 267.

Life Assurance Facilities

By F. G. Culmer

CHEAP money is just now one of the greatest problems with which life assurance companies have ever been confronted. It is not too much to say that, with regard to its possible effects in the future, it is revolutionizing the whole trend of actuarial calculation. Following upon the Government's conversion of the 5 per cent. War Loan to a $3\frac{1}{2}$ per cent. basis, the lower rates of interest which the life offices can now only earn on their investments are causing directors and managers some concern, because one of the main sources of profit of a life office is the excess margin in the rate of interest actually earned over the rate assumed in calculating premiums.

It might appear that the easiest remedy would be to raise the premiums. In some cases this has been done, but, for obvious reasons, the general aim should be to avoid so drastic a step. It would be far better, if it became necessary to curtail the outgoings, even to

cut down the rates of bonus. There would appear to be little doubt that if low interest rates continue indefinitely, valuation surpluses will contract, in which case there would inevitably be smaller sums available for distribution among participating policy-holders in the form of bonuses.

He would be a bold man who would attempt to prophesy how long the present régime of cheap money will continue. A possible view is that sooner or later, with a return to more normal trading conditions, the fields for fresh investments may again widen, and bring about an improvement in the general yield basis. In these days of high taxation the net yield, of course, is the all-important factor of consideration. The prospect would be better if we could look forward with some degree of hope to a material reduction in income tax, but under present circumstances little help can be expected from this direction.

Meanwhile, the life offices are experiencing considerable difficulty in finding for their new funds suitable investments yielding an adequate interest income. As has been shown in the annual reports of the various offices, a very substantial volume of money was invested by the public last year in the acquisition of life assurance; yet, in practically all cases, the total net interest revenue of the offices was considerably smaller than in the preceding year. Although it is impossible to lose sight of the possible far-reaching effects of lower interest yields on new investments, there is, happily, no cause for any feeling of uncertainty with regard to the great strength, financially, of all the leading life offices. It is common knowledge that, in general, there has been a complete recovery in security values since the débâcle of 1931, and in most instances directors were able to report this year that, in the aggregate, market values were in excess of the book values appearing in the balance sheets.

Judged by the satisfactory bonus distribution of those companies whose valuations fell due to be made as at the end of the year, immediate bonus prospects are of an encouraging nature. In this connection I am anticipating a fairly gradual reduction in the interest rate earned. The progress of the decline will depend

upon the amount of new investments in relation to existing funds. An old-established office with a wealth of funds will, naturally, not feel the pinch of lower security yields so quickly as a younger one, whose new funds requiring investment bear a larger proportion to the existing funds. At the same time, we know by experience that, whenever investors have to put up with low yields in the best classes of Stock Exchange securities, they turn invariably to life assurance because it affords them a better return on their money than they can obtain elsewhere.

There has been remarkable evidence of this ever since the War Loan conversion operation took place, not only with regard to life policies, but especially in connection with annuities, for which the demand has been on an unprecedented scale, in spite of the reduced annuity yields offered to the public. No doubt the increased popularity of annuities would be further enhanced very considerably but for the drawback that an annuitant has no longer any control over his capital, which is thereby lost to his dependants. With the object of removing this drawback, the Equity and Law Life Assurance Society has just devised a scheme whereby an income of 5 per cent. on the capital invested is secured for life, while at the death of the annuitant the return to his dependants of a substantial portion of the capital is guaranteed.

A man of 55, investing £2,000 in the purchase of an annuity of £100 for life, is guaranteed at death under this scheme a return of £841. As, moreover, the investor is entitled to participate in the profits of the Society in respect of the amount returnable, he thus obtains the benefit of any favourable trend in the investment situation. On the basis of the current rate of the Society's bonus, if the annuitant lived for 25 years after purchasing his annuity, his dependants would receive a cash sum of £1,516. He himself would have received in annuity £500 more than he paid originally for the contract, and, altogether, there would be a profit on the transaction of £2,016, or more than 100 per cent. A point to be observed is that the longer an annuitant lives, the larger is the amount payable to his beneficiaries.

It goes without saying that for people of either

large or moderate means, life assurance to-day affords unequalled channels for profitable investment. There was never a time when the life offices offered such a variety of attractive facilities for investing money as now. New forms of life policies are constantly being devised for the benefit of the public. One recently brought out by the National Mutual Life Assurance Society is especially worthy of notice, inasmuch as it provides for special needs of the moment. At the present time recipients of the proceeds of life policies are finding difficulty in obtaining investments immune both from market fluctuations and income tax, as well as yielding an unalterable income of adequate amount. Under the Society's "All-Clear" Income Policy the proceeds are payable in instalments instead of in a lump sum, and they are not assessable to income tax.

For instance, a with-profit policy of £2,000, commencing at age 30, provides an income of £100 per annum for 20 years, payable in quarterly instalments beginning at age 60 or earlier death. Along with the first instalment would be paid the accumulated profits, estimated on the present scale of bonuses, at £376. The net annual cost of this policy is £38, and the full cost over 30 years £1,140. It is about £20 a year cheaper than an ordinary policy for a lump sum of £2,000, payable at the end of 30 years or previous death.

In previous articles in THE BANKER I have referred to the Family Provision type of policy, which still retains its popularity, and this is not surprising, considering the useful benefits that are provided at reasonable cost. A good example is the "Safeguard" policy of the Legal and General Assurance Society, which provides a man's dependants with a guaranteed tax-free income of over 15 per cent. for an agreed period, and then pays them the sum assured in cash.

Here are the provisions of a £1,000 "Safeguard" policy in the event of the assured's death: £3 a week free of tax for the widow or other dependants during an agreed period reckoned from the date of the policy; £1,000 in cash at the end of the selected period, or an immediate payment to meet urgent expenses may be arranged; if the assured dies after the selected term the £1,000 is payable immediately. Payment of an

increased premium entitles the assured to receive the £1,000 himself if he reaches a specified age. It costs a man age 35 next birthday less than £6 10s. a quarter to furnish his dependants with these benefits.

One frequently hears the respective merits of whole-life and endowment assurances discussed to the advantage of one or the other. Both are inestimable in their different ways. A whole-life policy is most desirable as providing the maximum amount of protection for dependants at a minimum cost. An endowment assurance makes favourable comparison as an investment with the best Stock Exchange securities, and while avoiding the risk of depreciation to which all such securities are liable, it provides the additional advantage of life assurance.

Fire and Accident Insurance

By a Correspondent

PEOPLE who have studied the reports and accounts of the big composite insurance companies for 1932 must have been impressed by the results achieved generally in face of the unprecedented financial, social and economic difficulties in different parts of the world. Pursuance during their lengthy career of a policy of prudent finance has raised these institutions to a position of pre-eminence all over the world, and their firmly-rooted reputation for stability and integrity is reflected in a universal demand for British insurance policies.

The importance of these companies will be appreciated when it is realized how closely insurance is bound up with all branches of business. Statistics reveal that in recent years the average underwriting profits of the leading companies have been less than 4 per cent. of the premium incomes, a low ratio which emphasizes the economic value to the public of British insurance. Inasmuch as a very large proportion of their business is transacted abroad, it is not difficult to visualize the many-sided problems which beset British companies in connection with the difficulties surrounding international trade.

They have had not only to contend with depressed economic conditions, but with Government interference of different degrees, in the matter of increased taxation and new deposit requirements, as well as restrictions on currency movements. In the case of one office, it has been stated that the management is dealing with no less than forty different currencies, and there is no doubt that most others have had a similar experience. Yet it is found that invariably these companies were making profits last year in every Continent except North America, where conditions are too well known to need recounting. In past years the United States has been a profitable field for exploitation by British insurance companies, and the latter are anxiously hoping for a recurrence of good times in that part of the world.

A general decline in premium incomes was due mainly to a falling off of business in America, where it was also found next to impossible to effect a corresponding reduction in expenses. As the chairman of a large company said in his speech at the recent annual meeting, " it would not be difficult to make up some of the lost ground in the matter of premium income by becoming easier in our acceptances, and departing from the sound methods on which we have built up and conducted our business in America. However tempting that course might be, however, it is one that would be quite contrary to our established principles." This applies to all British offices.

The Fire premiums of all companies operating in the United States declined in 1932 by no less than 24·7 per cent., compared with 1931, while the fire losses only decreased by 2¼ per cent., and still amounted to £88,500,000. British companies, as a rule, were more favourably situated than American offices in their results, but the betterment was only comparative.

Home Fire business continued to expand generally, and results last year were decidedly favourable, some excellent profit balances being shown. Altogether, some companies did exceedingly well, one earning an underwriting profit of as much as 16·66 per cent., and others 11 per cent., 10·82 per cent., 10 per cent., and 6·87 per cent. respectively. Results varied considerably, which, perhaps, was only to be expected, considering the

wide and varied fields covered. Some companies effected only small profits, and a few contracted minor losses.

In the Accident department, which embraces a multiplicity of risks of various kinds, there was a wide diversity of results. The best individual underwriting surplus disclosed is equivalent to almost 14 per cent. There is one ratio of 10·81 per cent., a second of 9·76 per cent., a third of 8·64 per cent., and a fourth of 6·20 per cent., while several others range between 2 per cent. and under 4 per cent. Incidentally, there are a few companies which failed to make any profit.

With a few notable exceptions there was a general reduction in the accident and miscellaneous premium incomes, and in the main this was due to depression in industry. An important element in this section is workmen's compensation insurance, and here a falling off in premiums is the result of reduced pay-rolls. It is generally agreed that new legislation is essential in regard to this particular class of business. As the outcome of the appointment of a Government Committee in 1924, numerous alterations in the Assurance Companies' Act of 1909 were drafted with a view to the greater protection of the public, and embodied in a new Bill, known as the Insurance Undertakings Bill, which, however, has not yet been presented to Parliament, although its provisions were accepted years ago by the insurance interests.

The Bill aims at, among other things, the protection of the working man who is entitled to benefits under the Workmen's Compensation Act. Lord Wakefield, presiding a few weeks ago at the annual meeting of the North British and Mercantile Insurance Company, said it was very regrettable that in very many cases insured workmen did not receive the benefits to which they were entitled, because of the unsound financial position of the employer or of the body whose duty it was to afford such protection. He also stressed the fact that insurance opinion presses upon the Government the desirability of finding time and opportunity to place this important and long-overdue measure upon the Statute Book.

Among the varied risks included in the category of general insurance business are those attaching to engineering, indemnity, burglary, public liability, weather, live stock, etc., and one of the most important, of course,

is motor insurance. A couple of companies which specialize in the latter kind of business have, it is interesting to note, found the results of last year's operations satisfactory, notwithstanding exceptional difficulties. Chief among the latter are the extra expense involved in the administration of the business as the result of the Road Traffic Act, and a marked tendency for the cost of claims to increase.

While there seems to be a general consensus of opinion that this Act has not produced the advantages anticipated by its promoters, it is working smoothly with the insurance companies. It is comforting to learn from the chairman of one of the specialist offices that much has been done and can be done to reduce the number of road accidents. One encouraging feature is a definite sign of improvement in the standard of driving. It is fairly evident, as he says, that motor owners are beginning to realize that in the long run the cost of motor insurance depends largely upon themselves. Increasing claims must inevitably mean increased premiums sooner or later, but so far as the insurance companies are concerned, it is only fair to say that every effort is being made to adjust premiums so that the cost of insurance is apportioned fairly and equitably between the various classes of motor users. In this connection it will have been noted recently that progressive reductions in premiums have been offered to drivers who, by care and experience, merit them by avoiding accidents.

There is one great essential from the public point of view. All motorists should make sure that their insurances are in perfectly reliable hands. In other words, they should be certain that the offices which insure their cars are fully competent to meet their obligations. Before a company can undertake motor insurance it is required, under the provisions of the Road Traffic Act, to deposit the sum of £15,000 as a guarantee of reliability. In certain cases this deposit has not proved an adequate safeguard, and it certainly ought to be increased in order to keep out the weaklings.

No one, of course, need be in doubt in selecting any of the big composite companies, whose well-established position and wealth of resources entitle them to the fullest recognition. These companies, moreover, possess

efficiently trained organizations to deal with the business in an expert manner which leaves nothing to be desired. To mention the case of one large office, which last year settled claims numbering over 50,000, is simply to instance one of many similar experiences.

The names of the composite companies are household words throughout the world. Their great financial strength and splendid dividend records are well known to everybody, and because of the prudence with which their funds have always been consolidated, policy-holders are assured that their claims will be met whenever they arise. It must inevitably be a source of much satisfaction to the insuring public to know that such institutions are at hand to take charge of their business. It is equally unfortunate when people, whose knowledge of insurance affairs is somewhat limited, allow their business to be entrusted to incompetent organizations.

Appointments and Retirements

Commercial Bank of Scotland

Lord Mackenzie has been appointed Deputy Governor in succession to the late Lord Saltoun. The appointment is particularly interesting and appropriate in that his Lordship was the son of a former manager of the Bank, and that his early years were spent within the precincts of the head office, where the manager's house was then situated. In 1922, at the time of his resignation as a Senator of the College of Justice in Scotland, he was senior Judge of the Court of Session. He was educated at Edinburgh Academy, at Repton School and at University College, Oxford.

Lord Mackenzie has devoted much time to hospital management. He was for many years a director of Chalmers Hospital, Edinburgh, and has been for several years one of the managers of the Royal Edinburgh Hospital for Incurables. For twelve years he was chairman of the Edinburgh Red Cross Committee. In 1920 he was appointed by the Council of the Scottish Branch, British Red Cross Society, an honorary life member in recognition of distinguished services. He

succeeded Viscount Dunedin twenty years ago as one of the governors of Fettes College, and for seven years has been chairman. He is a member of the Royal and Ancient Golf Club, St. Andrews, the Honourable Company of Edinburgh Golfers, the Grange Cricket Club and the M.C.C.

Lloyds Bank

Mr. Vernon Eastwood, hitherto an Assistant Chief Controller, Advance Department, has been appointed an Assistant General Manager. He entered the service of the Halifax Joint Stock Bank in 1894. At the early age of 28, after appointments at Huddersfield and Leeds, he became Manager's Assistant at the head office of the West Yorkshire Bank, Ltd., and later Manager. When this bank was amalgamated with Lloyds he became an Advance Department Controller at Halifax, and in 1931 Assistant Chief Controller in London.

American Banking

By a Correspondent

TWO developments chiefly affected the banking system in the United States during May and the early part of June. These were, first, the far-reaching recovery in business activity and in stock and commodity prices, and second, the renewing of political efforts to discredit bankers as a class and to restrict the banking business through new legislation.

The improvement in business has gone far beyond seasonal dimensions in both scope and duration. The rise in the stock market has lifted security prices to the best level since the fall of 1932. Better business and a booming stock market have smothered any inclination that might exist on the part of the public to criticize the programme of the Roosevelt administration. The bankers, from whom might ordinarily be expected the most acute criticism of a course of action such as the President and his advisers have followed, have been effectively silenced by the criticisms directed against them by the politicians. It is not hard to believe that to some extent at least the prosecution of Charles E.

Mitchell, former head of the National City Bank, on charges of income tax evasion, the investigation by the Senate of the affairs of J. P. Morgan & Co., the pending investigations of other banking houses and the studious ignoring of all important bankers by the administration in its economic planning have been carried out with the understanding that such a programme could not fail to stifle the opposition to a radical social and economic reform on the part of that section of the public which would ordinarily be counted upon for the most stubborn resistance.

As it is, opposition to the administration has been left entirely to the conservative press, and bankers as a group have scarcely dared to raise their voices against the legislative proposals which most deeply affect them. The first of these proposals to be enacted was the so-called Truth in Securities Bill which carries into effect President Roosevelt's new motto for the investment market: "Let the seller beware." Among other features, the Bill provides penalties of five years in prison and $5,000 fine for any official of a corporation or any investment banker or broker who makes a mis-statement in connection with the issue of new securities, and provides that all directors and officers of an issuing corporation or other principals involved in the flotation of securities shall be liable to any and all future holders of the securities for all losses they may sustain if there are any inaccuracies in the statements required to be made public at the time of the issue. These and other drastic provisions of the bill are sufficient according to many investment bankers to put a quietus on the capital market in this country. The confusion over the interpretation of some sections of the measure has been such as to compel many investment houses to suspend operations and some have gone so far as to discharge their employees.

On top of this measure there were forced through both houses of Congress banking reform bills embodying the main outlines of the much-debated Glass bill and containing in addition provision for the guarantee of bank deposits at the expense of member banks of the Federal Reserve System. This bill is now in conference but is expected to be reported out and enacted in its

final form before the close of the present session. President Roosevelt is represented as being opposed to the guarantee feature but of the opinion that it would be politically impossible to veto it. The big New York City banks are thoroughly aroused at the prospect and are talking of desperate counter-moves.

The guarantee clause provides for the creation of a fund through a levy of ½ per cent. on deposits of member banks of the Federal Reserve System. As the fund is depleted in making good losses of depositors in banks of the System which failed, further levies may be made without limit except that if a bank should be levied upon to the extent that its capital funds became exhausted, it would then fail itself and become eligible for the benefits of the guarantee fund. Some of the important State-chartered member banks of the Federal Reserve in New York City are seriously considering attempting to withdraw from the Federal Reserve System if the bill is enacted. They have, however, little illusions that they would be allowed by Congress to withdraw and one or two of these banks have even gone so far as to discuss the possibility of winding up their affairs rather than to continue operations under what they consider a menace to themselves and their depositors.

The government's monetary programme continues undefined, although certain additional steps have been taken to reinforce the suspension of the gold standard. The appointment of Professor Sprague as adviser to the Treasury was taken as a preliminary to the establishment of some form of exchange control. It is the general view, however, that no control is desired so long as the dollar continues to cheapen in foreign exchange, and that no active steps will be taken until and unless the dollar begins to rally. The Federal Reserve system has resumed purchases of United States government securities in the open market at the rate of about $25,000,000 a week and has as its immediate objective the expansion of member bank excess reserves to, roughly, $500,000,000, as against their present level of about $350,000,000. The Congress has enacted at the President's request legislation formally abrogating the gold clause which is contained in about $22,000,000,000 of United States

government securities and some $80,000,000,000 of other domestic contracts.

This action was an inevitable consequence of the decision of the government last April to permit the dollar to depreciate in foreign exchange but whereas the embargo on gold exports evoked in the conservative press chiefly a feeling of confusion tempered by the hope that the action was of a temporary nature, the repudiation of the gold clause has been recognized for what it was, and has called forth the first serious criticism that the Roosevelt administration has had to face. This criticism has, however, gone little beyond the reproachful comparison of the President's campaign utterances and his actions in office. It has not, to any appreciable extent, impaired his popularity with the country as a whole.

The financial community here is awaiting the developments at the World Economic Conference with decidedly restrained optimism. It is recognized that the suspension of the gold standard by the United States has completely altered the outlook for the Conference from what it was when the agenda was drawn up. Most economists here find it difficult to see how progress can be made in the adjustments of such subjects as tariffs and war debts when the currencies of the world are in their chaotic condition, nor do they see very much hope of stabilizing currencies to a degree where these problems could be attacked quickly enough to save the Conference.

As it appears to American eyes, Europe is entering the Conference in the expectation that the United States will make most of the concessions that have to be made, including revision of war debts and tariffs. The British government through its trade agreements with the Dominions and with Denmark, Germany and Argentine appears to the United States to have definitely set about placing itself in a position where it had little to offer the Conference in the way of concessions. Politically, it will be impossible for the American delegation to return home with an agreement which appears to the American public to consist principally of sacrifices on the part of this government. Little or no progress has been made in turning the opinion of Congress or its constituents to a more lenient view of the war debt question.

To add to the complications of the situation there appears to be considerable disagreement on important questions among the various members of the American delegation. Secretary Hull appears to adhere to the "international" point of view which received so much prominence at the time of the recent visits of Mr. MacDonald and M. Herriot, while Professor Moley, head of the Roosevelt "brain trust," has recently been at pains to explain to the public in a radio address that domestic considerations are paramount and to throw a cold douche over any high hopes that may have existed for the Economic Conference. It is noteworthy that Mr. Roosevelt experienced the greatest difficulty in assembling a delegation to represent this country at the Conference. Several insurgent Republicans were invited and refused, and it was only at the eleventh hour that Senator Couzens was prevailed upon to go.

Much progress has been made in repairing the damages sustained just prior to the banking holiday. There has been a continued retirement of currency and a constant building up of the gold reserves of the Federal Reserve Bank so that by the end of May they reached the highest levels in the history of the System at $3,520,000,000. Among the principal New York City banks, a substantial expansion of credit was experienced in May. Outside New York City progress has been slower. Figures for reporting member banks in 90 leading cities covering the period of the banking moratorium which have been made public by the Federal Reserve Board show that the total loans and investments of these institutions have increased from $15,900,000,000 on March 1 to $16,426,000,000 on May 31. Money market rates have continued to relax and 90-day bills are once more being offered at ¼ per cent. The Federal Reserve Bank of New York has reduced its rediscount rate to 2½ per cent., which restores it to the level in force prior to the banking crisis, and the Federal Reserve Banks of Chicago, Boston and Philadelphia have promptly followed with reductions in their rates from 3½ to 3 per cent.

French Banking

By a Correspondent

DURING May the French money market became slightly easier. The disquietude provoked by the suspension of the gold standard in the United States has gradually subsided. At the beginning the public believed that the sudden depreciation of the dollar would change the value of gold, and that it would cause trouble to the few countries remaining on a gold basis. The central banks of Holland and Switzerland had to face heavy demands on their gold stocks, which underwent a marked decline. But in spite of the exodus of gold the stability of the two currencies has been firmly maintained, and it seems unlikely that they will in future be subject to doubt.

As for the Bank of France, not only did its gold reserve not decline, but it even slightly increased, thanks to the imports of gold from Holland and Switzerland. Thus the excitement that followed in France the suspension of the gold standard by the United States has gradually calmed down. Hoarding has declined, and the money market has received an inflow of funds.

The improvement in the money market was very moderate. It would hardly be worth mentioning, but for the fact that in consequence of the American developments, a firmer tendency was anticipated. The fall in money rates was, in fact, insignificant, as is shown by the following table :—

	End of March, 1933	End of April, 1933	End of May, 1933
	%	%	%
Market rate of discount	$2\frac{1}{8}$	$2\frac{1}{16}$	$1\frac{13}{16}$
Call money	$1\frac{1}{2}$	$1\frac{1}{4}$	$1\frac{1}{4}$
Loans on Treasury Bills—			
One month	2	$2\frac{13}{16}$	$2\frac{3}{32}$
Three months	$2\frac{1}{2}$	$2\frac{9}{16}$	$2\frac{1}{2}$
Bourse loans—			
For the Parquet	$\frac{1}{2}$	$\frac{3}{4}$	$1\frac{1}{4}$
For the Coulisse	$4\frac{1}{2}$	$4\frac{1}{2}$	$4\frac{1}{2}$

The decline was the most marked in the case of the market rate of discount, which dropped from $2\frac{1}{16}$ to $1\frac{13}{16}$ per cent., or by $\frac{1}{4}$ per cent. This decline is not, however,

very significant, for the discount market has been inactive and the rate was moved by a few transactions at the end of the month. The most characteristic section of the French money market is the market of loans on Bons de la Defense Nationale. On this market the decline of rates was moderate. The rate on day-to-day loans remained unchanged at 1¼ per cent. On the other hand, the rate of loans on securities quoted on the Parquet rose from ¾ to 1¼ per cent. This movement had no monetary significance, as the rate of loans on securities depends mainly on the extent of speculative activity. As the suspension of the gold standard in the United States resulted in a rise in Wall Street and in the European Bourses, speculative activity increased in the Bourse of Paris. Hence the rise in the rate on Bourse loans.

The easier money conditions, however slight, are reflected in the Bank return. The extent to which the banks availed themselves of the Bank of France has declined. Discounts fell from 4,058 million francs at the end of April to 3,691 millions at the end of May. This latter figure is still above the figure for the end of March, as is shown by the comparative table of the bank returns :—

	End of March, 1933	End of April, 1933	End of May, 1933
ASSETS.	(Millions of francs)		
Gold reserve	80,409	80,866	80,951
Foreign exchange reserve (total)	4,126	3,594	3,645
Sight	2,406	2,441	2,468
Time	1,720	1,553	1,177
Discounts (total)	3,603	4,058	3,691
Bills on France	3,352	3,806	3,638
Bills on foreign countries	251	252	53
Advances on bullion	1,298	1,253	1,277
Advances on securities	2,714	2,649	2,675
Bonds of the Caisse Autonome	6,621	6,595	6,582
LIABILITIES.			
Note circulation	86,096	84,992	83,267
Current and deposit accounts (total) ...	19,085	19,521	20,658
Of which—			
Treasury	107	311	284
Caisse Autonome	2,128	2,029	1,981
Private accounts	16,622	16,936	18,203
Sundry	228	245	190
Total of sight liabilities	105,181	104,513	103,925
Percentage of gold cover	76·45%	77·37%	77·89%

The other items of the Bank return did not suffer any noteworthy changes. As we stated above, the gold reserve showed a slight increase, advancing from 80,866 millions to 80,951 millions, owing to the influx of gold from Holland and Switzerland.

In fact, the export of gold of these two countries to France was much larger than the increase shown by the Bank of France's figures, for the latter had to meet fairly substantial withdrawals of gold. The Bank of France pays out gold without asking for any justification of its withdrawal, being, in fact, the only central bank in the world which pursues this course. The Netherlands Bank, for instance, only pays out gold if it is taken for another central bank. The Swiss National Bank undertakes itself the gold export required, and sells the proceeds in the foreign exchange market. Owing to the liberal attitude of the Bank of France, those desirous of hoarding withdraw from it their requirements. Even Dutch and Swiss people bought large amounts, so that part of the gold imported from Holland and Switzerland found its way back to those countries, but instead of returning to the central banks it remained hoarded.

The policy pursued by the Bank of France has thus encouraged hoarding. The French authorities were of the opinion that, in the interest of maintaining the gold standard, it is desirable that at least one currency should remain absolutely equivalent to gold. To that end it was necessary to maintain the convertibility of the franc into gold. It is beyond doubt that, had the Bank of France raised any obstacle to the conversion of franc notes into gold, the note would have depreciated in relation to gold. Possibly its depreciation would have attained a high degree, for the French public still remembers the experience of 1924–26. The premium on gold would have aroused fears about the stability of the franc and would have aggravated the international financial crisis.

For this reason the French authorities preferred to carry out the letter of the law of June 25, 1928, and to deliver all the gold that was demanded. They were well advised in taking that course. As we said above, the uneasiness caused by the suspension of the gold standard in the United States soon calmed down. This would not

have been the case if the French authorities had not decided to maintain the convertibility of the franc.

The monetary position of France remains very strong. At the end of May, the percentage of the gold reserve amounted to 78 per cent., against 77·37 a month ago, and 76·45 at the end of March. It is true that the position of the franc has become consolidated by the sterling credit of £30 millions. As, however, the Bank of France possesses an equivalent amount of balances in London, the repayment of the credit will not weaken the franc.

The banking situation in France is equally satisfactory, though important changes have taken place since September last. At that time the leading commercial banks—which controlled about two-thirds of the total bank deposits—were in an exceptionally strong position, with a liquidity of 30 per cent. Their cash resources amounted to 11,188 millions for a total liability of 37,652 millions. Since then their position has weakened. At the end of December their cash resources amounted only to 9,089 millions, while at the end of March—the last figures available—they were down to 7,235 millions. The following table shows the figures of the four leading French banks :—

SITUATION OF THE FOUR PRINCIPAL COMMERCIAL BANKS.

Crédit Lyonnais, Comptoir National d'Escompte, Société Générale and Crédit Industriel et Commercial.

	Sept. 30, 1932	Dec. 31, 1932	Mar. 31, 1933
ASSETS.	(Millions of francs)		
Cash in hand and with Bank of France	11,188	9,089	7,235
Balances with Correspondents	1,172	856	962
Discounts	18,919	21,932	20,207
Advances	1,183	1,044	1,071
Current Account Debtors	8,441	8,011	8,911
LIABILITIES.			
Current Accounts and Deposits—			
Sight	36,372	36,491	34,163
Time	1,280	1,268	1,045
Total	37,652	37,759	35,208
Bills payable	328	295	305
Securities	233	233	233
Capital and Reserve	2,876	2,877	2,877
Reserve rate	29·70%	24·10%	20·50%

At the end of March the amount of current accounts and deposits was 35,208 million francs, against 37,652 millions at the end of September. This decline was due to an increase of hoarding. The decline of cash reserves was much more substantial than that of deposits. Between September and March it was nearly 4 milliards. It was due to the hoarding, as well as to the acquisitions of Treasury bills by the banks, which is indicated by the increase of their discounts from 18,919 millions in September to 20,207 millions in March. The funds lent to the Treasury did not return to the banks. Part of them remained in circulation in the form of notes. Hence the decline of the cash ratio of the banks from 29·70 to 20·50 per cent. Even at the latter figure the ratio is adequate. In September the cash supply of the banks was well in excess of their requirements.

The bankers believe, however, that their cash ratio should not be allowed to decline further. They consider it essential to maintain a high ratio so as to avoid any uneasiness about their liquidity. For this reason they are refusing to take up any further Treasury bill issues, and this was one of the causes of the conclusion of the London credit. It is true that the banks can fall back upon the Bank of France for support, but they are most unwilling to do so, and prefer to keep a high cash reserve. This attitude is subject to criticism. The occasional use of the central bank should not be regarded as being detrimental to the prestige of the commercial bank. The prejudice against that course is, however, too deeply rooted to make an early change possible. However it may be, it must be admitted that this policy contributed towards the strengthening of the French banking system, and consequently it consolidates the franc, for the Bank of France is not exposed to be called upon suddenly to help the leading banks. If the monetary situation of France is to-day slightly weaker than it was some time ago, the cause of it lies, not in the domain of banking, but in the domain of public finance.

After five months of delays and endless debates where oratory often overshadowed statesmanship, the budget of 1933 was voted at last on June 1, with a deficit of 3,624 million francs (about £29 millions), with expenditure at 49,269 millions and revenue of 45,645 millions.

It is necessary to remember that the last but one of the budgetary proposals closed with a deficit of 4,344 millions. In the eleventh hour the Chamber yielded to the pressure of the Senate—in face of Socialist opposition—and reduced certain expenses by 5 per cent. and certain subsidies by 10 per cent. Although this was a commendable effort, financial circles do not regard the situation as ideal. The Government might have gone further in the direction of economies, but for the concessions it had to give to the Socialists. As a result of the fall in prices, the share of the fisc in private incomes attains in some cases 40 per cent. It is easy to understand the demand of taxpayers for economies.

The situation of the Treasury has not improved since last month. In addition to the Treasury bill issues made in virtue of the law of August 7, 1926 (5 milliards), July 20 (2 milliards), September 17 (2 milliards), and December 31, 1932 (5 milliards), the London credit of £30 millions is said to have already been exhausted. The floating debt has increased by 12 milliards since June 1932. The medium-term debt has increased by 5,200 million francs through the bond issue made in March out of the authorized total of 10 milliards. Thus, it was more than 2 milliards in excess of the budgetary deficit of 15 milliards. The delay in voting the new laws prevented the Treasury from collecting the increased revenues in time. Fortunately, the next few months are very favourable from the point of view of tax collection. The Treasury may therefore be able to avoid issuing further Treasury bills or seeking advances from the reluctant commercial banks. In any case, the Minister of Finance announced that bills will shortly be introduced for the balancing of the budgets for 1933 and 1934. To relieve the Treasury the scheme should be voted before the end of July. As, however, the Economic Conference will absorb the Government's attention it would be too much to expect anything in this direction. The state of public finances of France will therefore remain precarious until the autumn.

German Banking

(By a Correspondent)

THE announcement of the transfer moratorium from July 1, is an event of first-rate importance for German banking and economic life. It means that henceforth an amount of about 50 million reichsmarks will remain in Germany instead of being transferred abroad. This is not the place to discuss the details of the regulations, nor the future development of export trade and the effect on Germany's external credit. It is necessary to point out, however, that the transfer moratorium affects not only interest and repayment of foreign loans, but also dividends on foreign-owned German shares. The German debtors—banks, industrial and commercial firms, and private individuals—will make payment in reichsmarks to a conversion fund, to be established with the Reichsbank. It seems beyond doubt, however, that the funds will not remain with the Reichsbank, as the latter will pay no interest on them. Inasmuch as foreign creditors of Germany do not use their funds for the payment of any debts they themselves may have in Germany, they will probably invest them in some way. Presumably Treasury bills, bank bills, and deposits with commercial banks will be the favourite form of employment, but the German Bourses are anticipating an additional demand from this source. The Berlin money market will become the beneficiary of the transfer moratorium. The banks may reckon with an inflow of funds during the coming months, which could be placed at the disposal of German trade.

The recent schemes of the Government for reducing unemployment through extensive public works have been drafted in such a way as to take into account the change in the situation caused by the transfer moratorium. Ever since Herr Hitler assumed office, the question of issuing a large internal loan for public works has been in the forefront. A normal issue is, of course, out of the question, owing to the situation of the German Bourses. The 6 per cent. Government loans are still at 80 to 90 per cent., owing to the lack of capital and inadequate saving. The idea at one time came to the

fore that the necessary funds should be raised by means of a forced loan or a levy on capital, but this has now been abandoned. The Rm. 1,000 millions required for the financing of public works will be raised in the market.

The public works contractors and those who supply them with material will finance their business by drawing short bills on one of the official banking institutions. These bills will be renewable and will be secured by Treasury bills, to be redeemed between 1934 and 1939. Thus, the public works will be financed out of the resources of future budgets. For the present, the banks concerned will seek to place the bills in the market. It is only if, in spite of the funds liberated by the transfer moratorium, the market is unable to absorb the bills that the Reichsbank will be called upon, in the last resort, to finance the works by rediscounting the bills. Should large amounts of bills be rediscounted the effect would be decidedly inflationary. In taking up the attitude that an inflation in Germany is entirely out of the question, Dr. Schacht has taken it for granted that the transfer moratorium will enable the market to absorb most bills financing public works. Moreover, most commercial banks are fairly liquid, as the credit requirements of trade are moderate. The amount of the discounts of the Reichsbank itself is very moderate and can stand an increase without running the risk of inflation.

Apart from the use of short-term funds for financing long-term public works, the German banking world is preoccupied with the problem of interest rates. The " economic advisers " of the National Socialist Party are demanding a reduction of interest rates charged by banks, so as to stimulate production and reduce unemployment. Up to now the Reichsbank has succeeded in preventing the introduction of compulsory uneconomic interest rates. Although in view of the transfer moratorium and " Germany's independence from foreign countries " a reduction of the Bank rate to 2 per cent. is demanded, so far it is still at 4 per cent. in accordance with market conditions. Bank bills are discounted at about $3\frac{7}{8}$ per cent., while the rates of day-to-day money and monthly loans are between 4 and $5\frac{1}{2}$ per cent., while nine-months Treasury bills are taken at $4\frac{3}{4}$ per cent. The banks charge on the average 7 per cent. on advances to industries

while depositors receive interest rates varying between 1 per cent. and 3½ per cent. These latter rates are low, considering that first-class long-term investments yield 7 to 8 per cent. The demand for a reduction of interest rates has been met to the extent that rates of interest on agricultural mortgages have been reduced from about 6½ per cent. to 4½ per cent. The Government pays the difference to the holders of mortgage bonds, so that they will suffer no loss. The demand of landowners for a reduction to 2 per cent. has not, however, been satisfied.

Following the publication of the balance sheet of the Deutsche Bank und Disconto-Gesellschaft, the figures of the Commerz- und Privatbank appeared at the end of May. The trend disclosed by these figures was more or less the same as that indicated by the balance sheet of the DD-Bank; but its current profits were somewhat smaller and its losses through the crisis were somewhat larger. The Commerzbank was reconstructed in 1932 with the aid of public funds, inasmuch as it received from the Government Treasury bills amounting to Rm. 77 millions to cover its losses. To cover the new losses arising in 1932, the current surplus is being used up, and in addition the writing-off of bad debts is covered by the transfer of frozen loans to the official Redemption Fund. The same procedure has been adopted by the DD-Bank.

The Dresdner Bank, whose balance sheet for 1932 has not yet been published, will proceed differently in regard to the covering of its last year's losses. It will reduce its share capital from Rm. 220 millions to Rm. 150 millions, and its published reserves from Rm. 30 millions to Rm. 15 millions; on the other hand, it will not avail itself of the facilities of the Redemption Fund. The difference is explained by the fact that last year the Dresdner Bank was provided with ample capital resources, and can therefore stand a reduction of capital. Moreover, its losses were greater than those of other German banks; they amounted to Rm. 85 millions, which amount could not be raised otherwise than through a sacrifice by shareholders. The Reich spent in 1931 Rm. 300 millions on the purchase of Dresdner Bank shares. The nominal value of these shares was reduced to Rm. 150 millions in 1932, and will now be

further reduced to Rm. 100 millions. The original shareholders of the bank and of the Danatbank absorbed by it will fare even worse. The holder of Rm. 100 of former Dresdner Bank or Danatbank shares had to exchange his holding for Rm. 30 new shares; now his holding will be written down to Rm. 20. The capitalization of the three leading Berlin banks will thus be as follows :—

	DD-Bank.	Dresdner.	Commerz.
	(Mill. Reichsmarks)		
Share capital	144	150	80
Of which :—			
Held by the Reich	0	100	11·2
Held by the Golddiskont Bank	45	35	45
Held by the public	99	15	23·8
Open reserves	25·2	15	30
Deposits (April 30)	2,724	2,384	1,119

German banking suffered a heavy loss at the end of May, when Herr Oskar Wasserman, the managing director of the DD-Bank, announced his resignation. With him departs the banker who has done more than anybody else towards German commercial banking development. It is to his credit that the losses of the DD-Bank are smaller than those of other banks. His great prestige abroad was of use to the whole of Germany. His resignation is due to the same cause as that of a number of other leading Jewish bankers and industrialists. He considers it impossible to carry on his activities usefully amidst the prevailing anti-Semitism. He retired so as to avoid placing his bank at a disadvantage by being represented by a Jew in the eyes of the public and the Government.

International Banking Review

Holland

IN his annual report to the shareholders of the Netherlands Bank, Mr. Trip, President of the bank, urged that measures should be taken to adapt expenditure to changed conditions, since it would be impossible for Holland to continue to live on its present footing. He believes that gold cannot be dispensed with as an inter-

national medium for currencies. He advised the lowering of the legal minimum of gold cover, so as to increase the amount of gold available for international purposes. The net profits of the bank for the past year amounted to 1 million guilder, against a loss of 19 millions for 1931, following the depreciation of sterling.

Earnings for 1932 of the Netherlands Trading Society amounted to 1,320,000 guilder, and the whole of this sum has been appropriated for depreciation. For 1931 the profit was 9,648,000 guilder, but of this, 4,800,000 guider had to be deducted for capital depreciation. The bank's credits under the German Standstill Agreements have been reduced from 21,759,000 guilder to 15,207,000 guilder.

Arrangements have been made for the amalgamation of the Dutch Bank for South America and the Dutch Bank for the Mediterranean.

Switzerland

During the past month the pressure on the Swiss franc continued, and the National Bank had to part with substantial amounts of gold in order to defend the exchange. One of the causes of the pressure was the withdrawal of German deposits, for fear of Swiss reprisals on account of the transfer moratorium. The authorities were well in a position to meet the pressure, and by allowing the discount on forward francs to widen until it stood on a basis of some 8 per cent. per annum, they effectively discouraged bear speculation.

Austria

As a result of the Rome, London and Paris visit of Dr. Dollfuss, the Austrian Chancellor, arrangements have been made for the issue of the much-postponed external loan of 300,000,000 schillings. The Italian portion of 30,000,000 schillings has been definitely promised, but the French portion of 100,000,000 schillings is still being opposed by the French Socialists. The British tranche of 100,000,000 schillings is arranged for the refunding of the credit of similar amount, being the outstanding balance of the credit granted by the Bank of England in 1931; as there is, however, an exchange difference owing to the depreciation of sterling, Austria will receive a corresponding amount of cash out of the proceeds of the tranche.

With the definite conclusion of the Creditanstalt agreement, the banking situation of the country has cleared up to some extent. Notwithstanding the internal political troubles, there has been no run on the banks, thanks to the reconstruction which was recently carried out.

Greece

Owing to transfer difficulties, the National Mortgage Bank of Greece could only pay the interest on its sterling debentures in drachmæ. While the bank made every effort to pay sterling, the League experts investigating the situation of Greece held that it would be unfair to foreign holders of Government bonds to allow the transfer of the service of this loan until it had become quite clear what foreign currency resources there were available and what amounts were likely to become available in the near future.

It is understood that the League experts have advised against the issue of further external loans, holding the view that Greece must live on her own resources.

Brazil

The Banco do Brasil has completed the repayment of the consolidation credit of £6,550,000 concluded in 1931. After the liquidation of this credit, the Government is in a position to tackle other frozen foreign funds. An agreement has, in fact, been concluded between the Government and leading American creditors whereby $25,000,000 of blocked balances in Brazil will be released. Balances below $50,000 will be paid off within 90 days at the rate of 13·3 milreis to the dollar. Large balances will be paid off over a period of six years, in monthly drafts guaranteed by the Government, with a 4 per cent. interest, at an exchange rate of 13·965 milreis to the dollar. The Government has agreed that no more favourable exchange agreement will be made with any other country. Negotiations are in progress with the leading British creditors for a similar agreement affecting £8,000,000, repayable at the rate of £1,200,000 per annum.

Banking Reviews

English Reviews.

THE June issues of the Banking Reviews are mainly concerned with the World Economic Conference, on the eve of which these lines are being penned. The writer in BARCLAYS BANK review may be stating a platitude when he says that " broadly speaking, the question at issue is as to whether the World is to develop its economic life along the lines of a steadily expanding international trade or whether its goal is to be the organization of a large number of more or less self-contained units each relying as little as possible upon trade with the rest of the World "; yet, whatever the outcome of the conference, it is a platitude which cannot too often be impressed upon the statesmen of all nations. This writer considers a solution of the War Debt problem as the key to the solution of the many interdependent problems of currency and tariffs and he believes that a satisfactory arrangement between America and her creditors will be reached. This having been achieved, an international monetary system must be restored under conditions which will enable it to function efficiently, for " there can be little prospect of a substantial recovery in the World situation until exchange stability is re-established." For this purpose he suggests that the gold standard must be restored, as no practical alternative has been suggested.

This view is developed in an able article on " Sterling and the Gold Standard," from the pen of M. Frédéric Jenny, Financial Editor of *Le Temps*, in the June number of LLOYDS BANK review, wherein he makes out a powerful case for the immediate return of Great Britain to the Gold Standard. His advocacy of this policy is made all the more powerful owing to the fact that he realizes and examines the many arguments which can be raised against such an action. He stresses the point that " the monetary policy which Great Britain follows in the near future must exercise considerable influence on international economic evolution." He regards stability as the most important characteristic of

a satisfactory currency, but he differentiates *absolute* stability (i.e. the stability of the value of a currency in relation to the average prices of commodities) from the *relative* stability of the value of a currency in comparison with the value of other currencies. He believes that " we should merely be following a chimera in seeking for a currency capable of escaping more or less completely the fluctuations of average prices "; but he goes even further than this in his denunciation of " managed currencies "; he considers that could stability of purchasing power be ensured, it would not be a boon, for it would be equivalent to immobility. We may not all agree with this view, but there is certainly much force in his argument that variations in prices permit the control of production in accordance with the needs and preferences of consumers. Moreover, we must all applaud him when he says: " one point to be emphasized is that stability of the currencies among themselves is of far greater importance in the resumption of international trading than is their stability in relation to the price of commodities." We regret that the space at our disposal does not permit mention of the many interesting points raised by this writer and we specially commend to the attention of our readers his discussion of the effect of the movements of floating capital upon the rates of exchange. He concludes his article with the observation that the benefits for the whole world which would result from the restoration of the gold standard are entirely dependent upon international political tranquillity.

The May–June number of the MIDLAND BANK review gives an interesting account of the genesis of the Conference, and a clear analysis of the monetary agenda which it has had to consider. The article is largely concerned with the prospects of the Conference and these would have but little interest in retrospect for our readers. In a note on the Quarterly Graphical Survey which appears in this same review it is pointed out that at the present time some assurance can be felt from the fact that there is no lack of credit available to finance sound business development, nor does there seem any reason to fear a shortage.

Statistics of " Industrial Production in Britain and Abroad " are discussed in the May number of the

WESTMINSTER BANK review. The writer suggests that, " the industrial production of a country, using the term ' industrial ' in its widest connotation, is the best available test of its material position." Unfortunately statistics of production are still incomplete though they may be regarded as capable of showing broad movements with reasonable accuracy. The figures quoted show that the most severe declines in production have been in the United States, Germany and Poland, but all countries have suffered, except Russia, Japan and India, wherein production over the past four years has actually increased. Russia, however, is the only country which is able to show continuous progress over this period, owing to " the apparent success with which the Soviet Russian Republics have ' insulated ' themselves from the creeping paralysis of world trade."

Foreign Reviews.

There is published in the May Bulletin of the SOCIETE DE BANQUE SUISSE an interesting graph illustrating the economic development of the United States from 1790 up to the present day. This graph was worked out by the Cleveland Trust Co., Cleveland, U.S.A., and shows the rise and fall of the price level above and below normal. Perhaps the most striking feature is the repetition of high prices or booms following a war succeeded by two periods of low prices or depressions, separated by a comparatively quiet period. This is especially noticeable after the Napoleonic wars of 1812; the Secession War of 1860–1864 and the last War. One cannot help asking when will the world learn to read the facts of history properly and when will it learn to apply the facts so as to avoid further catastrophes of a similar nature?

The GUARANTY SURVEY for May contains some comments on the rise of prices in the United States recently and the writer asks the question whether this rise has been due to normal factors or whether it has been due to commodity hoarding brought about by the fear of currency and credit manipulation. He admits that no clear or definite answer can be given; nevertheless, he feels that there are grounds for optimism because there are constructive factors underlying the situation. Con-

sidering that the crisis has already extended over four years he states that, "Seldom, if ever, in the past has a violent and continuous downward reaction extended over such a long period without affecting the necessary readjustments and laying the groundwork for a sound recovery." It is significant to note that advances in business activity have been considerable in the basic industries and "most significant of all, factory employment and payrolls increased last month, contrary to the usual April trend." He concludes by stating that the figures for May will show even greater advances, for the strong upward movement has gained momentum in the last few weeks. The author of the Survey also discusses the terms of the President's Inflation Law and his Industrial Recovery Bill. The latter has been widely criticized, for it temporarily suspends the anti-trust laws, but "spokesmen for the Administration have made no secret of their hope and belief that it marks a definite and permanent departure from the competitive system of the past in the direction of a planned economy."

We have received this month a copy of the CHASE ECONOMIC BULLETIN, containing an article by Benjamin M. Anderson, Jr., Ph.D., entitled "Some fallacies underlying the demand for Inflation." Dr. Anderson, at the beginning of his essay, brings powerful arguments against the demand for the circulation of more money. He then deals with the supposition that a depreciating exchange aids the export business and he quotes examples from Europe during the post-war inflationary period to prove the contrary, but we believe that other examples could equally well be brought forward to prove that a depreciating exchange does aid exports. We are in entire agreement with Dr. Anderson when he pleads for stable currencies with fixed gold points, otherwise trade is reduced to a mere gamble.

Dr. Anderson casts considerable doubts on the theory that the fall of commodity prices is due to a rise in the value of money. Rather, he considers that there has been a considerable fall in the value of goods. This idea is developed at considerable length in the essay and it is impossible to go into details in the space at our disposal. No one can deny the statement, "The first break in prices came in the great staples of international

trade, which were suddenly deprived of their markets." Amongst his conclusions for remedying the fall in prices Dr. Anderson suggests that, instead of increasing the supplies of money and increasing the distrust of paper currencies, the first thing to do is " to work from the standpoint of goods and trade toward restoring the markets for the great international staples, raw materials and foods . . . the way to do this is to reduce tariffs and other impediments to international trade, so that manufactured goods, moving across national boundaries, may pay for raw materials and foods needed."

Books

MONEY—GOLD, SILVER AND PAPER. By FRANCIS W. HIRST. (London, 1933. Charles Scribner's Sons. Price 7s. 6d. net.)

EVEN though we disagree with Mr. Hirst's conclusions about the desirability of establishing bimetallism, his arguments on the subject are interesting and stimulating. The historical parts of the book are valuable for those who wish to know more about money without wanting to exert themselves by reading heavy literature.

MONETARY POLICY AND THE DEPRESSION. A First Report of the Group on International Monetary Problems of the Royal Institute of International Affairs. (London, 1933. Oxford University Press. Price 7s. 6d. net.)

MOST of the economists whose combined wisdom this book claims to represent could have written a considerably better book on the subject. In many ways it is a clumsy work, and is an example of dull presentation of highly interesting material. The book is certainly not up to the high standard set by the previous publications of the Royal Institute of International Affairs.

THE SEARCH FOR CONFIDENCE IN 1932. By A. H. ABBATI. With an Introduction by SIR BASIL P. BLACKETT. (London, 1933. P. S. King & Sons. Price 6s. net.)

JUDGING by the fact that the author is chairman of an "Unclaimed Wealth Utilization Committee" of Geneva, and that he follows the fashion of having a preface contributed by a "personnage magnifique," the reader may be inclined to be distrustful of this book. He will be agreeably surprised for the book is decidedly more than just another contribution to the immense literature produced by currency cranks.

MEMORANDUM ON THE ECONOMIC PROBLEMS OF THE DANUBE STATES. By ELEMER HANTOS. Presented by the MITTELEUROPA INSTITUT (Vienna), the UNION DOUANIERE EUROPEENNE (Paris), and the COBDEN CLUB (London).

THE memorandum presents a clear picture of the highly complicated economic and financial problems of the Danube States. Its chapter on "The Regulation of Currencies in the Danube States" is particularly interesting, as it examines the conditions under which the much-advocated abolition of exchange restrictions could be carried out.

THE STATESMAN'S YEAR-BOOK. Statistical and Historical Annual of the States of the World for 1933. Edited by M. EPSTEIN. (London, 1933. Macmillan & Co. Price 20s. net.)

"THE Statesman's Year-Book" has achieved its seventieth issue, and still remains an invaluable reference book for the banker's desk. Its information and statistics contain the latest facts and figures available, and deal concisely with not only the finance, currency, industry and commerce, but also the area, population, production, transport, education, and diplomatic representatives of every country in the world.

PUBLICATIONS RECEIVED

INFLATION. By DONALD B. WOODWARD and MARC. A. ROSE. (McGraw Hill Publishing Co. Price 6s. net.)

WILL THEY PAY? By DORSEY RICHARDSON. (J. B. Lippincott & Co. Price 4s. 6d. net.)

PROBLEMS OF THE NATIONS. By R. B. MOWAT. (London, 1933. J. W. Arrowsmith. Price 3s. 6d. net.)

Investment Banking Change

BRITISH interests have acquired control of Chase Harris Forbes, Ltd., which until recently represented in Great Britain the American securities distributing organization of similar name, affiliated to the Chase National Bank. Messrs. Harris Forbes & Co. of New York opened a London office in 1913, the English branch being converted into a private limited company on October 11, 1926. In 1928 Chase Securities Corporation was formed and in 1930 the bond department of the Equitable Trust Company combined with the Chase Securities Corporation. On July 11, 1931, the business of Chase Securities Corporation, London, and Harris Forbes & Co., Ltd., London, was consolidated under the name of Chase Harris Forbes, Ltd.

The name of the Company is now changed to Balfour, Boardman & Co., Ltd., and the resources under the new control will be considerably augmented. It will continue to specialize in the distribution of dollar bonds in Great Britain and Europe, clearing its American transactions partly through the well-known New York banking house of White Weld & Co. and partly through the Chase National Bank.

The Board of the Company will consist of O. H. C. Balfour, C.M.G., Chairman; Dixon Boardman, U.S.A., Managing Director; Jean E. V. Cattier, Belgian (a partner in White Weld & Co.), John M. Gauntlett, U.S.A., and two other British directors to be announced later. Balfour, Boardman & Co., Ltd., will continue to occupy the premises which it owns at 52, Cornhill, London, E.C.3.

Table I GOLD HOLDINGS OF

(IN MILLIONS OF £)

	ENGLAND[2]	U.S.A.	FRANCE	BELGIUM	NETHERLANDS	DENMARK	NORWAY	SWEDEN	GERMANY	
									Total	Abroad
1930										
JANUARY ..	150·5	601·9	341·8	33·6	37·0	9·5	8·1	13·5	111·8	7·3
APRIL ..	156·2	620·9	341·0	33·8	35·7	9·5	8·1	13·4	124·5	7·3
JULY ..	156·3	615·1	355·6	34·3	35·7	9·5	8·1	13·3	128·2	7·3
OCTOBER ..	155·6	611·0	395·3	36·2	32·7	9·5	8·1	13·3	119·6	7·3
1931										
JANUARY ..	145·9	604·3	432·6	39·2	35·2	9·5	8·1	13·3	108·5	10·9
APRIL ..	144·5	640·1	451·6	41·1	36·8	9·5	8·1	13·2	114·7	10·2
JULY ..	163·3	701·1	452·7	41·0	41·1	9·5	8·1	13·1	69·6	5·7
OCTOBER ..	134·8	644·9	481·5	71·3	58·0	9·0	8·0	10·9	63·7	4·9
1932										
JANUARY ..	120·7	613·9	554·4	72·8	73·3	7·9	8·5	11·3	48·2	5·5
APRIL ..	120·8	620·1	618·2	71·8	73·2	8·0	8·5	11·3	43·0	3·9
JUNE ..	131·7	565·2	645·4	72·7	78·9	8·0	8·5	11·3	42·2	4·3
JULY ..	136·1	530·0	662·8	73·3	81·0	7·4	8·3	11·3	40·7	4·3
AUGUST ..	138·6	538·6	661·5	75·1	84·3	7·3	7·8	11·3	37·5	3·1
SEPTEMBER	138·9	569·8	662·0	74·8	85·2	7·3	7·8	11·3	37·6	3·1
OCTOBER ..	139·4	591·5	665·2	73·8	85·5	7·3	7·8	11·3	39·0	3·1
NOVEMBER	139·4	617·1	668·5	74·6	85·5	7·3	7·9	11·3	40·0	3·0
DECEMBER	139·4	626·6	671·1	74·3	85·3	7·3	7·9	11·3	40·5	2·8
1933										
JANUARY ..	119·8	647·0	668·4	74·2	85·3	7·3	7·9	11·3	39·5	2·1
FEBRUARY	126·4	668·9	659·3	74·6	84·9	7·3	7·9	11·3	40·2	1·9
MARCH ..	150·2	594·5	653·0	75·4	83·4	7·3	8·0	11·3	37·6	2·3
APRIL ..	171·8	665·1	647·4	76·3	78·4	7·3	8·3	12·0	36·2	3·1
MAY ..	186·0	705·9	651·0	76·3	74·8	7·3	8·3	12·0	20·1	1·0
JUNE ..	186·3	723·3	652·6	76·3	69·1	7·3	8·3	11·9	18·2	1·1

[1] The figures are taken from the returns
[2] Excluding a small amount held in the
[3] Gold and silver holdings.

Table II CREDIT AND CURRENCY (millions of £)

	CLEARING BANKS[1]			BANK OF ENGLAND[2]				
	Deposits	Cash	Advances	Other Deposits*		Government Securities in Banking Department*	Reserve*	Notes in Circulation*
				Total	Bankers' Balances			
1930								
JANUARY ..	1,767·5	192·0	969·1	111·8	75·5	64·9	53·5	355·8
APRIL ..	1,712·0	187·2	968·2	101·7	65·2	57·1	60·6	359·8
JULY ..	1,749·0	191·2	950·4	107·0	70·3	52·4	49·8	365·0
OCTOBER ..	1,791·0	188·7	922·3	95·9	61·0	42·2	60·6	357·2
1931								
JANUARY ..	1,835·9	194·6	907·4	97·7	64·4	48·8	51·4	351·7
APRIL ..	1,698·1	175·4	923·8	91·9	56·6	32·0	51·9	353·7
JULY ..	1,750·3	180·7	896·7	103·1	69·3	36·3	56·3	358·1
OCTOBER ..	1,687·8	172·9	894·4	120·4	68·3	56·5	53·6	356·8
1932								
JANUARY ..	1,677·1	176·9	889·3	112·5	74·3	45·3	49·9	345·9
APRIL ..	1,643·2	170·2	864·8	93·6	58·3	62·6	43·0	352·8
JUNE ..	1,726·5	188·2	836·8	121·3	86·5	67·1	48·0	363·0
JULY ..	1,765·2	187·7	820·5	122·7	88·2	68·8	44·3	369·3
AUGUST ..	1,812·6	189·6	800·7	115·0	79·5	73·1	48·6	365·3
SEPTEMBER	1,826·3	189·6	787·3	114·0	80·6	69·9	54·6	359·8
OCTOBER ..	1,853·3	189·5	779·9	110·9	77·3	67·0	56·0	358·4
NOVEMBER ..	1,858·8	190·2	769·7	127·6	90·5	68·9	55·6	358·8
DECEMBER ..	1,943·7	203·1	758·4	136·2	102·4	102·4	23·6	371·2
1933								
JANUARY ..	1,943·3	210·9	749·6	135·8	103·4	90·6	45·4	353·2
FEBRUARY	1,917·2	204·6	751·0	133·3	98·3	86·4	61·0	356·2
MARCH ..	1,885·9	204·0	751·6	127·8	92·8	57·7	79·7	367·1
APRIL ..	1,890·9	215·7	749·2	138·0	100·9	68·5	74·0	371·9
MAY ..	1,904·2	202·3	760·6	117·0	77·5	72·5	72·3	374·1

[1] Average weekly balances, nine banks. [2] Average of four or five weekly returns.
* Since December, 1931, figures relate to last Wednesday in each month.

CENTRAL BANKS[1] Table I—*cont.*

RUSSIA	POLAND	CZECHO-SLOVAKIA[3]	AUSTRIA	HUNGARY	ITALY	SWITZERLAND	SPAIN	JAPAN	ARGENTINA	
									Conversion Office	Banco de la Nacion
30·2	16·1	7·7	4·9	5·8	56·1	23·6	101·7	107·3	87·9	1·3
33·2	16·2	7·7	4·9	5·8	56·3	22·2	97·9	91·7	87·9	1·3
41·7	16·2	8·0	4·9	5·8	56·3	22·9	98·0	90·2	87·9	1·3
51·2	13·0	8·7	6·2	5·8	57·2	25·4	98·2	85·1	87·3	0·9
51·1	13·0	9·4	6·2	5·8	57·3	28·4	96·7	85·4	84·5	0·3
53·2	13·0	9·4	6·2	4·5	57·4	25·5	96·0	85·9	77·4	0·4
53·7	13·3	9·4	6·2	4·0	58·1	33·4	96·3	87·3	64·7	0·3
60·2	13·3	9·3	5·5	3·8	58·9	67·4	90·3	82·3	57·1	0·3
67·4	13·8	10·0	5·5	3·7	60·9	93·1	89·1	48·1	51·8	0·2
67·7	13·2	10·0	5·2	3·6	60·9	96·7	89·3	44·0	51·0	0·2
68·8	12·8	10·0	4·8	3·5	61·1	101·3	89·4	44·0	51·0	0·2
71·7	11·2	10·0	4·3	3·5	61·3	103·4	89·4	43·9	51·0	0·2
73·3	11·1	10·0	4·3	3·5	61·7	104·6	89·5	43·9	51·0	0·2
75·5	11·0	10·0	4·3	3·5	62·2	104·8	89·5	43·9	51·0	0·2
—	11·3	10·1	4·3	3·5	62·6	104·6	89·5	43·9	51·0	0·2
—	11·4	10·1	4·3	3·5	62·8	104·6	89·5	43·9	51·0	0·2
—	11·5	10·3	4·3	3·5	63·0	101·2	89·5	43·9	51·0	0·2
—	11·6	10·4	4·3	3·5	63·2	98·0	89·6	43·5	51·0	0·2
—	11·8	10·4	4·3	3·5	63·1	98·0	89·6	43·5	51·0	0·2
—	11·8	10·4	4·3	3·5	66·8	100·3	89·6	43·5	51·0	0·2
—	11·3	10·4	4·3	3·5	68·0	100·5	89·6	43·5	51·0	0·2
—	11·3	10·4	4·3	3·5	70·5	94·5	89·6	43·5	51·0	
—	10·9	10·4	4·3	3·5	72·3	81·5	89·6	43·5		

on or nearest the first of the month.
Banking Department.

Table III GOLD MOVEMENTS

	BANK OF ENGLAND	UNITED KINGDOM			UNITED STATES			TRANSVAAL GOLD OUTPUT at 85/- per fine ounce
	Net Influx (+) or Efflux (−)	Imports	Exports	Net Imports (+) or Exports (−)	Imports	Exports	Net Imports (+) or Exports (−)	
	£ millions	£ millions	£ millions	£ millions	$ millions	$ millions	$ millions	£ millions
1930								
JANUARY ..	+ 4·0	8·6	3·3	+ 5·3	12·9	8·9	+ 4·0	3·8
APRIL ..	+ 6·6	8·8	3·0	+ 5·8	65·8	0·1	+ 65·7	3·7
JULY ..	− 3·8	5·1	8·3	− 3·2	21·9	42·5	− 20·6	3·9
OCTOBER ..	+ 4·8	9·3	7·1	+ 2·2	35·6	9·3	+ 26·3	3·9
1931								
JANUARY ..	− 7·5	7·3	16·2	− 8·9	34·4	—	+ 34·4	3·9
APRIL ..	− 2·7	5·9	0·9	+ 5·0	49·5	—	+ 49·5	3·7
JULY ..	−31·7	10·0	36·8	−26·9	20·5	1·0	+ 19·5	3·9
OCTOBER ..	—	8·6	5·3	+ 3·3	60·9	398·6	−337·7	4·0
1932								
JANUARY ..	—	17·1	21·5	− 4·4	32·9	107·9	− 75·0	4·0
APRIL ..	—	12·2	5·5	+ 6·7	19·3	49·5	− 30·2	4·0
JUNE ..	+ 8·9	15·4	6·3	+ 9·1	18·4	226·1	−207·7	4·1
JULY ..	+ 1·6	12·8	7·4	+ 5·4	16·3	23·5	− 7·2	4·2
AUGUST ..	+ 1·2	11·0	10·2	+ 0·8	24·2	18·1	+ 6·1	4·2
SEPTEMBER ..	+ 0·5	12·1	11·0	+ 1·1	28·0	—	+ 28·0	4·1
OCTOBER ..	—	9·3	8·2	+ 1·1	20·7	—	+ 20·7	4·1
NOVEMBER ..	—	9·8	5·8	+ 4·0	21·8	—	+ 21·8	4·1
DECEMBER ..	−19·6	12·0	21·3	− 9·3	100·9	—	+100·9	4·2
1933								
JANUARY ..	+ 6·6	9·3	22·3	+13·0	128·5	—	+128·5	4·1
FEBRUARY ..	+21·4	11·3	6·1	+ 5·2	30·4	12·6	+ 17·8	3·8
MARCH ..	+25·9	24·3	4·5	+19·8	14·9	37·0	− 22·1	4·0
APRIL ..	+12·3	20·0	3·7	+16·3				3·8
MAY	—	32·0	3·8	+28·2				4·0

Table IV — MONEY

Week ending	LONDON						
	Bank Rate	Day to Day Loan Rate	Discount Rates: Bank Bills 3 months	Discount Rates: Fine Trade Bills 3 months	Treasury Bills: Weekly Tender Rate	Treasury Bills: Amount Offered	Treasury Bills: Amount Applied for
	Per cent.	Per cent.	Per cent.	Per cent.	£ s. d.	£ millions	£ millions
1932							
DECEMBER 2 ..	2	2	1	2¼	0 17 4·67	55	91·4
,, 9 ..	2	2	⅞	2¼	0 16 5·89	50	67·7
,, 16 ..	2	2	1 1/16	2¼	1 5 6·41	50	67·3
,, 23 ..	2	2	1 1/16	2¼	1 5 2·8	50	67·7
,, 30 ..	2	2	1¼	2¼	0 19 4·35	50	93·2
1933							
JANUARY 6 ..	2	2	1 1/16	2¼	0 16 10·84	45	73·8
,, 13 ..	2	2	1 1/16	2¼	0 15 10·69	42	80·8
,, 20 ..	2	2	1 1/16	2¼	0 15 0·31	40	80·1
,, 27 ..	2	2	1	2¼	0 13 5·12	40	63·9
FEBRUARY 3 ..	2	2	1	2¼	0 14 0·20	40	72·9
,, 10 ..	2	2	⅞	2¼	0 16 9·20	40	83·8
,, 17 ..	2	2	1 1/16	2¼	0 17 2·84	45	90·3
,, 24 ..	2	2	1 1/16	2¼	0 14 5·59	45	80·3
MARCH 3 ..	2	2	1 1/16	2¼	0 11 4·39	45	67·1
,, 10 ..	2	2	1 1/16	2¼	0 10 1·5	45	71·1
,, 17 ..	2	2	1 1/16	2¼	0 8 10·9	42	71·3
,, 24 ..	2	2	1	2¼	0 6 9·27	45†	77·5
,, 31 ..	2	2	1	2¼	0 11 9·78	45†	79·2
APRIL 7 ..	2	2	1 1/16	2¼	0 10 11·25	45†	90·5
,, 13 ..	2	2	1 1/16	2¼	0 8 10·03	50†	62·0
,, 21 ..	2	2	1 1/16	2¼	0 9 6·30	50†	68·8
,, 28 ..	2	2	1 1/16	2¼	0 8 4·73	50†	78·9
MAY 5 ..	2	2	1 1/16	2¼	0 8 6·04	50†	87·2
,, 12 ..	2	2	1 1/16	2¼	0 7 8·14	50†	78·9
,, 19 ..	2	2	1	2¼	0 7 2·54	50†	76·0
,, 26 ..	2	2	⅞	2¼	0 6 4·27	50†	74·5
JUNE 2 ..	2	2	⅞	2¼	0 5 11·18	50	57·5
,, 9 ..	2	2	⅞	2¼	1 7 0·80	50	64·2

All figures given above are the rates ruling on Friday of each week. * Private discount rate

Table V — FOREIGN

DAILY

	NEW YORK $ to £	MONTREAL $ to £	PARIS Fr. to £	BRUSSELS Belga to £	MILAN Lire to £	ZURICH[3] Fr. to £	MADRID P'tas to £
PAR OF EXCHANGE.. ..	4·80½	4·86⅔	124·21[1]	35·00	92·46[2]	25·2215	25·2215
1930							
JANUARY	4·8697	4·9222	123·91	34·947	93·05	25·162	37·017
APRIL	4·8635	4·8654	124·11	34·842	92·777	25·095	38·946
JULY	4·8656	4·8622	123·67	34·810	92·879	25·044	42·203
OCTOBER	4·8591	4·8536	123·85	34·845	92·804	25·020	47·141
1931							
JANUARY	4·8551	4·8645	123·81	34·815	92·739	25·076	46·640
APRIL	4·8599	4·8621	124·28	34·950	92·815	25·235	47·015
JULY	4·8566	4·8729	123·82	34·818	92·865	24·994	52·018
OCTOBER	3·8887	4·3700	98·66	27·794	75·352	19·823	43·366
1932							
JANUARY	3·4303	4·0377	87·11	24·689	68·017	17·582	40·809
APRIL	3·7520	4·1716	95·12	26·778	72·840	19·299	48·788
JUNE	3·6484	4·2010	92·67	26·183	71·296	18·690	44·240
JULY	3·5322	4·0757	90·60	25·608	69·567	18·256	44·041
AUGUST..	3·4759	3·9669	88·68	25·048	67·886	17·864	43·037
SEPTEMBER	3·4717	3·8420	88·61	25·038	67·677	18·018	42·798
OCTOBER	3·3990	3·7233	86·58	24·460	66·374	17·606	41·517
NOVEMBER	3·2774	3·7475	83·59	23·620	64·048	17·018	40·089
DECEMBER	3·2763	3·7833	83·95	23·658	64·069	17·040	40·180
1933							
JANUARY	3·3599	3·8367	86·07	24·228	65·642	17·416	41·072
FEBRUARY	3·4218	4·0997	87·26	24·492	66·908	17·664	41·488
MARCH	3·4343	4·1199	87·41	24·605	67·157	17·770	40·819
APRIL	3·5851	4·2188	87·25	24·600	66·705	17·770	40·347
MAY	3·9379	4·4870	85·57	24·189	64·660	17·439	39·377

[1] The old parity of 25·2215 was
[2] The old parity of 25·2215 was
[3] Berne until November, 1929.
[4] Average Oct. 1 to Oct. 6,
[5] Quoted 1st—4th only.
[6] Quoted 19th—30th only.

RATES

Table IV—*cont.*

NEW YORK			PARIS		BERLIN		AMSTERDAM	
Bank Rate	Market Discount Rate	Call Money	Bank Rate	Market Discount Rate	Bank Rate	Market Discount Rate	Bank Rate	Market Discount Rate
Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
2½	⅝	1	2½	1½	4	3⅝	2½	1*
2½	⅝	1	2½	1½	4	3⅝	2½	1
2½	⅝	1	2½	1⅜

Table VI BRITISH TRADE

	COAL		PIG-IRON (1)		STEEL (1)
	Production Millions of Tons	Exports (including Coke) Millions of Tons	Number of Furnaces in Blast at end of month	Production Thousands of Tons	Production Thousands of Tons
1930					
JANUARY	23·8	5·9	159	650	771
APRIL	19·7	4·6	151	620	696
JULY	18·7	4·9	105	486	621
OCTOBER	21·0	5·1	96	415	512
1931					
JANUARY	19·2	3·6	83	337	402
APRIL	18·6	3·6	78	323	397
JULY	17·1	3·7	70	317	429
OCTOBER	19·7	4·3	66	284	457
1932					
JANUARY	18·7	3·6	76	330	430
APRIL	18·4	3·8	69	317	433
JUNE	16·8	3·6	69	311	459
JULY	15·0	3·6	56	293	432
AUGUST	15·3	3·5	57	259	362
SEPTEMBER	16·1	3·1	59	260	430
OCTOBER	17·5	3·6	59	276	439
NOVEMBER	18·3	3·7	59	268	474
DECEMBER	18·9	3·3	60	285	430
1933					
JANUARY	18·8	3·5	62	287	444
FEBRUARY	17·8	3·2	63	271	483
MARCH	19·5	3·5	70	332	578
APRIL	15·4	2·9	69	325	510
MAY	17·4	3·9	72	340	600

(1) Returns issued by

Table VI BRITISH TRADE AND INDUSTRY—*cont.*

	OVERSEAS TRADE			BANK CLEARINGS[1]			UNEMPLOYMENT		
	Imports £ millions	Exports £ millions	Re-exports £ millions	London "Country"[2] £ millions	Provincial £ millions	Total £ millions	Comparative Total[3] £ millions	Percentage of insured persons unemployed	Numbers on Live Register[4] 000's omitted	Index of Production (Quarterly)[5] 1924 = 100
1930										
JANUARY	101·9	58·3	8·2	10·4	5·0	15·4	*19·5*	12·6	1,481	109·6
APRIL	83·9	46·9	7·8	10·4	4·7	15·1	*20·3*	14·6	1,678	100·9
JULY	85·2	50·7	6·7	10·0	4·3	14·3	*19·9*	16·7	1,964	90·7
OCTOBER	90·9	46·9	7·2	9·6	4·0	13·5	*19·9*	18·7	2,200	92·7
1931										
JANUARY	75·6	37·6	6·0	9·9	4·2	14·2	*23·1*	21·5	2,614	85·1
APRIL	70·0	32·5	6·6	9·5	3·9	13·4	*21·1*	20·9	2,532	80·6
JULY	70·1	34·3	4·9	9·1	4·0	13·1	*21·3*	22·6	2,664	81·1
OCTOBER	80·7	32·8	5·3	9·0	4·1	13·1	*20·9*	21·9	2,756	90·5
1932										
JANUARY	62·3	31·1	5·2	9·6	4·2	13·8	*21·7*	22·4	2,728	
APRIL	53·5	34·8	4·6	9·0	4·0	13·0	*21·1*	21·4	2,652	91·3
JUNE	57·5	29·7	4·2	8·2	3·7	11·9	*20·2*	22·3	2,747	
JULY	51·9	29·3	3·3	8·8	4·5	13·3	*23·6*	22·9	2,812	83·2
AUGUST	53·3	28·6	3·5	8·1	3·8	11·9	*20·2*	23·1	2,860	
SEPTEMBER	54·3	26·2	2·9	7·7	3·7	11·4	*18·6*	22·8	2,858	77·8
OCTOBER	60·8	30·4	3·7	8·7	4·1	12·8	*21·4*	21·9	2,747	
NOVEMBER	61·6	31·1	4·1	8·6	3·9	12·5	*20·6*	22·2	2,800	
DECEMBER	60·6	32·4	4·1	9·0	4·1	13·1	*21·5*	21·7	2,723	87·2
1933										
JANUARY	54·1	29·2	4·2	9·5	4·2	13·7	*22·4*	23·1	2,903	
FEBRUARY	49·1	27·9	4·5	8·9	4·2	13·1	*23·0*	22·8	2,857	88·2
MARCH	56·3	32·6	4·0	8·5	4·0	12·5	*21·3*	22·0	2,776	
APRIL	51·2	26·4	3·5	9·3	4·0	13·3	*22·7*	21·4	2,698	
MAY	57·3	30·8	3·8	9·0	4·0	13·0	*21·8*	20·5	2,583	

[1] Daily averages. [2] "Country" clearings at London Clearing House. [3] Total clearings (London "Country" and Provincial) adjusted for comparative purposes, by application of Board of Trade index number of wholesale prices (1924 = 100). [4] Average of four or five weekly returns since December, 1931, figures published monthly. [5] Reprinted by courtesy of the London and Cambridge Economic Service.

AND INDUSTRY

Table VI—*cont.*

IRON & STEEL & MANUFACTURES THEREOF		MACHINERY		COTTON		WOOL		
Imports	Exports	Imports	Exports	Exports of Yarns	Exports of Piece Goods	Exports of Tops	Exports of Wool and Worsted Yarns	Exports of Wool and Worsted Tissues
Thousands of Tons	Thousands of Tons	£ thousands	£ thousands	Millions of Lbs.	Millions of Sq. Yds.	Millions of Lbs.	Millions of Lbs.	Millions of Sq. Yds.
310	352	1,514	4,456	13·2	313·2	2·7	3·7	14·1
234	268	1,699	3,861	11·5	217·0	2·4	3·0	7·0
199	303	1,415	4,440	11·0	197·4	2·7	3·2	10·1
264	264	1,499	4,128	11·7	150·3	3·1	3·6	8·7
222	167	1,181	3,280	11·3	155·6	2·4	2·4	10·4
193	188	1,216	2,843	10·8	135·2	2·8	2·4	5·0
231	168	1,227	2,693	11·3	177·3	2·5	3·5	6·6
276	159	1,698	2,792	12·8	143·1	2·6	4·0	6·7
170	167	925	2,701	16·4	179·9	3·4	3·4	8·5
145	180	769	3,210	13·9	199·3	3·6	2·9	6·3
126	147	841	2,497	10·1	184·7	2·4	3·1	6·3
119	158	635	2,608	9·5	198·3	2·4	3·7	7·6
105	156	701	2,086	9·1	180·9	2·7	3·5	8·2
107	127	600	1,882	10·0	177·4	3·3	3·0	6·3
163	160	734	2,249	10·9	138·4	4·7	3·4	5·9
58	170	840	2,539	9·9	159·2	4·1	3·1	5·5
73	164	913	2,286	11·7	195·8	4·6	3·5	7·4
69	149	721	1,955	10·6	197·3	3·3	2·8	8·4
78	136	626	2,018	11·9	194·6	4·2	3·0	8·5
97	155	689	2,421	12·8	209·9	4·3	3·1	7·9
77	133	630	2,211	12·4	171·2	3·0	2·8	5·5
85	179	719	2,338	10·9	168·7	3·6	3·2	6·1

the National Federation of Iron and Steel Manufacturers.

Table VII COMMODITY PRICES

	UNITED KINGDOM			U.S.A.	GERMANY		FRANCE		ITALY[2]	
	Wholesale		Cost of Living (Ministry of Labour)	Wholesale (Department of Labor)	Wholesale Statistisches Reichsamt	Cost of Living (Statistisches Reichsamt)	Wholesale (Statistique Générale)	Cost of Living (Statistique Générale)	Wholesale	Cost of Living
	Board of Trade	"Economist"	[1]							
	1913 = 100	1913 = 100	July 1914 = 100	1913 = 100	1913 = 100	1913/14 = 100	1913 = 100	July 1914 = 100	1913 = 100	(Jan.-July) 1914 = 100
1930							(*b*)			(*b*)
JANUARY ..	131·0	118·5	164	133·8	132·3	151·6	576	565	453	—
APRIL ..	123·7	112·3	155	129·9	126·7	147·4	548	572	429	—
JULY	119·2	106·8	157	120·3	125·1	149·3	558	592	402	—
OCTOBER ..	113·0	99·6	157	118·3	120·2	145·4	552	597	387	—
1931				(*a*)						
JANUARY ..	106·9	91·3	152	112·8	115·2	140·4	576	590	362	—
APRIL ..	105·7	90·0	147	107·2	113·7	137·2	548	589	353	—
JULY	102·2	86·0	145	103·2	111·7	137·4	500	565	337	—
OCTOBER ..	104·4	90·1	146	100·7	107·1	133·1	457	531	330	473
1932										
JANUARY ..	105·8	90·0	147	96·4	100·0	124·5	439	534	326	470
APRIL ..	102·4	86·3	143	93·8	98·4	121·7	439	} 535	319	474
JUNE	98·1	80·9	143	91·5	96·2	121·4	425		304	465
JULY	97·7	82·7	141	92·4	95·9	121·5	430	} 517	300	456
AUGUST ..	99·5	85·2	141	93·4	95·4	120·3	416		300	455
SEPTEMBER ..	102·1	88·1	143	93·6	95·1	119·5	413		307	462
OCTOBER ..	101·1	85·3	143	92·3	94·3	119·0	412		304	465
NOVEMBER ..	101·1	85·7	143	91·5	93·9	118·8	413	} 516	302	468
DECEMBER ..	101·0	84·1	142	89·7	92·4	118·4	413		299	463
1933										
JANUARY ..	100·3	84·2	141	87·4	91·0	117·4	411	} 523	296	461
FEBRUARY ..	98·9	82·7	139	85·7	91·2	116·9	404		293	458
MARCH ..	97·6	82·3	137	86·2	91·1	116·6	390		287	451
APRIL ..	97·2	84·5	136	86·5	90·7	116·6	387		282	—
MAY	99·2	87·5	136	—	91·9	118·2	383		—	—

[1] The indices, which are for the 1st of the month, are entered for the previous month to facilitate comparison.

[2] Gold Index. (*a*) Revised index. (*b*) New index.

Machine Accountancy at Westminster Bank, Lothbury

By Arnold C. Parker

ON Easter Saturday, April 15, 1933, the old system of book-keeping which had grown and developed since the London and Westminster Bank commenced business in Lothbury during 1834 was employed for the last time. The next working day, Tuesday, April 18, saw the mechanized system installed and functioning with an efficiency that exceeded the most sanguine hopes.

It is not proposed in this article to describe the system, but it should be mentioned that the whole of the work up to, and including, the Impersonal (or General) Ledger has been brought within the machine accountancy system. This is not an adaptation of old hand-written methods, but a new system designed to obtain maximum efficiency from the employment of machines. The machines employed are those which careful and elaborate tests, combined with practical experience at over one hundred offices, have demonstrated to be the best for each particular branch of the work. The policy is that of using the fastest machine for the particular job. In small installations one or two machines are employed as "general purpose" machines, but this is not the case at Lothbury. Although the initial outlay would have been less, the decreased economies would have rendered it a costly proceeding in an installation of this size.

The main purpose of this article is to give an idea of the preliminary work involved in the tremendous change effected, as a knowledge of these methods may prove of interest.

Towards the end of April 1932, instructions were given for the possibilities of the mechanization of the Lothbury business to be studied. The ramifications of the Lothbury business are wide. In addition to a very large and important business with customers of the Bank, all transactions relating to Head Office Departments (including the Chief Accountant's), Trustee Department, Inscribed Stock Department, New Issues Department,

and last but not least Foreign Branch Office, are passed through Lothbury. Furthermore there are extensive transactions with Lombard Street Office and the branches. The preliminary study, however, revealed very clearly that the system evolved some 4½ years ago and successfully installed at over one hundred branches, including Threadneedle Street Office, was eminently suited for this huge and varied business with all its complications. During the years since Westminster Bank had embarked on mechanization, a standard technique covering every phase connected with the installation of machine accountancy had been evolved, and to a great extent it was in fact merely a question of the multiplication table.

At Threadneedle Street there is a training school equipped to accommodate up to 70 clerks at a time, and the training staff had already coached over 1,000 clerks in machine operation and system. There was also a highly skilled and efficient staff whose daily routine was installation work, while the Premises Department, Stationery Office and electricians were all experienced in machine accountancy requirements. Most important of all, Threadneedle Street with its very large and important business, had been mechanized during February 1932 and was working efficiently, thereby providing a means of training senior officials in their new duties. A considerable number of large branches in the London area were mechanized, and clerks, after training in the school, could be, and were, given practical experience of operating machines on real work. This not only made them better machinists, but even more important was the psychological effect of having actually done real work under mechanized conditions instead of practice in the school. This is a factor of enormous importance during the first day or two of a change-over.

Lothbury had, naturally, daily statistics of the number of transactions of various categories, but in order that a reasonably approximate estimate could be made of the number of machines of various classes that would be required, and of the staff to be trained, it was necessary to obtain further statistics. These statistics covered a period of five selected weeks, and were designed to show the proportion of work to be handled before

3 o'clock, and also to give an analysis of the work that mere numbers would not reveal.

As a result of a study of these statistics it was decided to instal 132 machines of various classes. The next stage in the proceedings was to estimate the number of staff that would be required in the mechanized section at peak periods of the day, the amount of space that must be allocated for heads of sections, crossing, sorting, agreements, filing, stationery of various kinds for daily use, and so on. The stage was now set for drafting a plan of the arrangement of the office. This is possibly the most important feature of organizing any office, but especially a mechanized office as large as Lothbury where towards the end of the day (after 3 o'clock, and especially after 3.20) vast numbers (tens of thousands) of vouchers have to be handled and finally dealt with under a time limit. Take the out clearing on an ordinary day. Everything paid in that day must be *in* the Clearing House by 3.50; the Bank does not close until 3.30, and the last customer may not have been attended to until 3.35 or 3.37. A shower of rain at say 3.15 may mean that credits that would normally have been paid in before 3.28 all come after that time, as the clerks and messengers wait as long as possible in the hope that the rain will stop. Credits and cheques have to be crossed, listed on the control machines, agreed, sorted out, listed on the out clearing machines, packed up in bundles, and sent by clerks from Lothbury to Post Office Court across those busy thoroughfares Threadneedle Street and Cornhill.

Several plans were prepared showing how the mechanized section could be accommodated on the ground floor, on the first floor, partly on one floor and partly on another in varying proportions. Some of these plans included the use of pneumatic tubes, travelling belts, elevators for vouchers, chutes for vouchers, telewriters and other mechanical aids. Finally the ground floor was decided upon as offering such great advantages that the chief objection, that of the noise of machines in the main banking hall, was regarded as relatively unimportant. Practical experience has proved that the noise is not sufficient to be troublesome, and although different from the noise of the office prior to mechanization, it is not greater in volume. Some of the

WESTMINSTER BANK, LOTHBURY, SHOWING THE NEW INSTALLATION OF MACHINE ACCOUNTANCY

senior staff compare it to the noise made in the old days when gold coin was in use, and continually being dropped on to scales or counted against a brass rail on the counter with a click as the coins hit the rail.

The plan referred to earlier, although to scale, was on main lines only, and it was now necessary to draft plans and specifications setting out in full and exact detail how the office was to be fitted up for the installation. A highly trained staff, working the best system that could be devised on the most suitable machines, could be rendered relatively inefficient by unsuitable planning and ill-conceived equipment. From quite the early days of mechanization Westminster Bank had made a close study of the most suitable equipment. As a result special tables had been designed to fit beside the machines for ledger and statement posters, special trays for the sheets, special fittings for adding machines, stationery cupboards, sorting bins, and so on. They were all of steel and were manufactured for the bank in bulk by various firms, and installed as standard at the branches at the time of mechanization. The designs had been improved from time to time as experience was gained, and at Lothbury still further developments were incorporated, and in addition the outside of everything was made of wood. The inside of many units are of steel of special designs so that the advantages of both wood and steel have been gained.

To set out everything that had to be thought of and provided for is outside the scope of an article, but the following were the main points :—

1. Every ledger and statement poster, and every control operator, has what is in effect an office to himself including all the desk space and filing accommodation required for his work. He can, therefore, work in complete comfort, and no matter how much traffic there is in the gangways he cannot be incommoded.

2. All the other machine operators have desks beside the machines of sufficient size for the work of sorting, etc., and ample gangways behind them so that they also can work in comfort.

3. All lighting has been specially designed so that any glare from the keys is avoided. The

amount of light is ample and can be varied by each operator. There is a separate light for each machine.

4. Every machine has a separate fuse plug beside it with a cartridge fuse so that a fuse blowing affects only the particular machine and takes only a few seconds to replace.

5. Everything has been so arranged that the work flows forward from one stage to the next with the minimum amount of movement. Cross traffic has been avoided.

6. Very ample filing space of the most suitable design for the particular forms, etc., has been provided in the places most convenient for the work.

The plans and specifications referred to above were handed over to the architect of the bank, and he prepared from them all the usual scale plans, working drawings and specifications. Tenders were obtained from various firms in the usual way, and all the ordinary formalities observed, and finally instructions were issued to go ahead. The planning of the ground floor in the way most suitable for mechanization necessitated the displacement of departments not directly affected by mechanization. The re-arrangement of Lothbury Office —mechanized and non-mechanized—has been designed as a whole with the object of obtaining maximum efficiency in every section, and an easy flow of work not only within individual sections, but between all sections. In order that the contractors, particularly the electricians, might get on with the preparatory work and complete it within the scheduled times, the whole of the ground floor had to be put at their disposal in sections at some time or another. It was not possible to transfer the whole of the work temporarily elsewhere, but room on the second and third floors was made available for some sixty clerks. This freed a certain amount of space on the ground floor, and by juggling with this space the Contractors could get on with their work. It meant a re-arrangement of the office weekly and sometimes twice a week, and everything went through without a hitch although a large number of staff were involved in these continual changes.

The training of a proportion of the staff on machines and in the system had to be organized and was spread over a period of six months. It was decided to train 120 in machine operation, and about 20 in addition in system only, so that they could take charge of different sections of the mechanized work. Training involved six weeks in all in the Bank's training school at Threadneedle Street, and not less than six weeks practical experience at mechanized branches. When training was in full swing over 80 of Lothbury staff were away at the same time. They were replaced by 40 "relief staff" and 40 staff from the branches who had in place of their own staff the clerks from Lothbury as they completed their training in the school. During the three weeks immediately before the date of the change-over everyone was given a special short course in the training school on the particular work for which he had been selected.

A detailed study was then commenced of the work of every department and almost every man on the Lothbury staff. The following main objects were in view :—

1. To bring within the work of the mechanized section everything that could be done on the machines that were to be installed.

2. To transfer to non-mechanized departments all work being done by departments to be mechanized that was not suitable for the mechanized section.

3. To make such changes in the procedure of non-mechanized sections as might be necessary to fit in with the mechanized section.

4. To ensure that everyone in non-mechanized sections understood exactly the changes, if any, that machine accountancy would necessitate in their existing procedure.

Head Office Departments and Foreign Branch Office had also to be visited with the same objects in view.

The senior officers who were to take charge of various sections of the work had meanwhile been coached in every detail of the mechanized system, and had studied it under practical conditions at Threadneedle Street. Everyone at Lothbury Office was determined from the beginning that the mechanization of their great office should be a record not only for its size but for the smoothness and

efficiency of the change from the hand-written system to machine accountancy. The same helpful support was accorded by all the other offices affected. The great success achieved is due to this wholehearted enthusiasm, and the thought one and all brought to bear on the various points directly affecting them. The result was that when work commenced on April 18 under the new system everyone was fully acquainted with the new routine so far as it affected him, and no difficulties of any kind arose. Every cheque paid in was presented for payment at the proper and ordinary time. The posting of the statements was done parallel with the ledgers and agreed the same day so that from the commencement they were ready for delivery first thing the following morning.

Some more National Provincial Branches

By Professor C. H. Reilly

IT is not often that the recent branches of one of the big banks form satisfactory matter for two consecutive articles in THE BANKER. The National Provincial banks have, however, provided such an interesting batch of photographs that one makes no apology for returning to their new branches again this month.

The branch at Louth is an excellent one to begin with for it is a medium-sized branch suitable to any country town. It is suitable too, not only in size but in quiet dignity. Situated at the corner of two main streets it makes by the shape of its mass, emphasized by its hipped roof running up into a pair of balancing chimney stacks, a solid looking stop or termination to one street while graciously facing the other. It solves the same problem that Sir Edwin Lutyens has so successfully done with his new building in Pall Mall, which stands as a sentry at the entrance to Marlborough House holding back the other buildings as it were for the Prince to pass in, and the solution there adopted is very much the same, putting the main face that is to say on the return street. In this Louth example the frontage to the main street is

very narrow, but naturally it carries the bank entrance. The effect of the building as a whole facing the other way is given in this case by the projecting central block on that front being finished with a moulded pediment and by the two upstanding chimney-stacks behind and

THE LOUTH BRANCH

above it. This front is in my opinion a singularly successful composition in the Georgian manner for smaller domestic buildings, but in that manner freely adapted to the bank's requirements. These differ of course very materially from those of an ordinary Georgian domestic building. The three lofty ground-floor windows

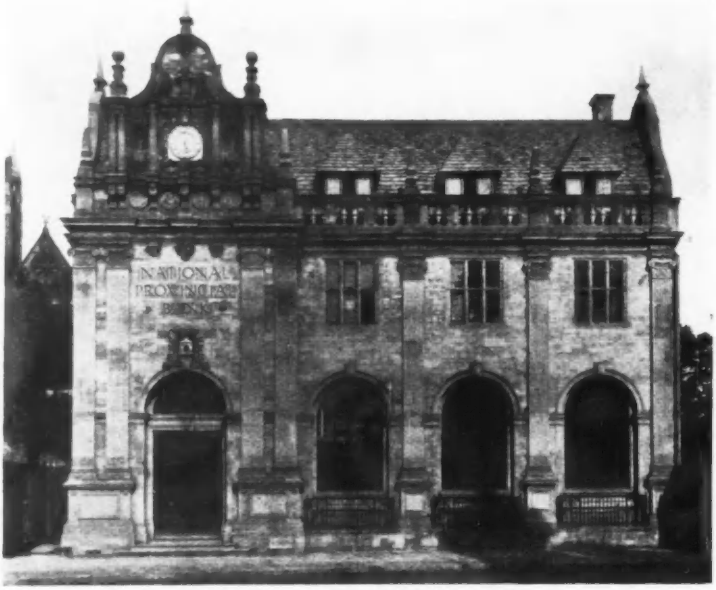
in the projecting block, which must light the banking hall and are higher than the other ones on the same floor, could hardly be called for in any purely domestic building Georgian or otherwise, nor could the difference between the height of the two storeys be so great as it is here between that of the bank floor and that of the manager's flat. Yet in spite of these special requirements which Messrs. Palmer & Holden, the bank's architects, have strictly obeyed, they have nevertheless produced a

ANOTHER VIEW OF THE LOUTH BRANCH

building not only true to the quiet refinement which the best Georgian character calls for, but one which is as happy in its general composition as any real Georgian building of its size that I know. There is obviously something to be said for using traditional motives in building for an old country town when they can be used in this way without sacrificing usefulness and freedom on the one hand or essential character on the other. Indeed the architects here seemed actually to have gained in their building over its prototypes by the liberties they have taken. The two heights of windows on the ground

floor have meant a greater amount of plain brick work in certain places between the storeys than was possible in the ordinary Georgian house with windows all the same height and this of course is to the good in giving solidity. There is indeed something extraordinarily pleasing in this little building. If I had to live in Louth I should want to live in this bank but I cannot truthfully say that of many small bank buildings I know.

The branch at Peterborough is a stylistic effort of



THE PETERBOROUGH BRANCH

another kind. It is an adaptation of Elizabethan motives, notably from Kirby Hall. Perhaps the architects were instructed by the bank to design a specially ornate building so near to the main front of the cathedral and facing the open place before it. Perhaps they felt anything more severe here would be harsh in contrast to the great Gothic portals which are the glory of the town. If so, the desire to do the right thing, even at considerable extra expense, is in itself very laudable. That does not mean of course that the result is necessarily right. I do not think it is. I think a quieter building

forming a greater contrast with the complications of the great Gothic structure would have been a better as well as a cheaper solution of this problem in civic manners. Every one has noticed in cathedral towns, such as Canterbury or Salisbury, how well small quiet stuccoed or plain brick or stone buildings look in contrast to the towering and generally rather complicated and ornate masses of the cathedral. This building, with its elaborate gable merely to hold a clock and its rich pilasters and balustrade, suggests to me part of a royal palace at least and in that case too close a neighbourliness of Church and State for the due prominence and comfort of either. Taken by itself, like all the work of Messrs. Palmer & Holden, it is a very competent piece of design. All the originals one feels have been consulted and compared. Even the split stones of the roof are archæologically right, though one cannot help feeling that the Elizabethan builders, after taking so much pains to carve and enrich the gable and balustrade, would have used a simpler form of roofing material, giving a quieter background to their ornament, if they could have found it. They used the local roofing material because it was local, not because it was the best for their fine stonework. There is an ornate classical insurance office in the Strand in London with great columns and all the pageantry proper to them and it is roofed in this way with rough Gloucestershire stones. When the scaffold came down I remember Mr. Goodhart-Rendel, the witty architect who has just been appointed Slade Professor of Fine Art at Oxford, saying to me " I suppose very soon now we shall be thatching our banks."

Let us turn from this elaborate stonework to stone used in its most countrified way in the branch at Newcastle Emlyn. Here one feels the intention again was excellent. The architects must have said to themselves :—" Let us put up a building not only in Welsh stone but as that stone is used on the Welsh countryside, or, rather, was used before the Welsh builder was seduced into spoiling his native grey landscape with red pressed Ruabon bricks." This rough cottage way of building, however, is rarely to be found more than two storeys high and generally only one. A three-storied building in such rough stone would be a very rare thing unless it

were for a mill or a factory. A three-storied one finished with a fine moulded wooden cornice and adorned with French windows and elaborate iron balconies is therefore almost a contradiction in terms. One feels it would have been better, though of course far less striking, to have built a quiet cement-faced building like the one next door and to have saved the use of rough Welsh stonework till one had to build, say, a little one-storied bank against an actual hillside or in a tiny village street like that of

BRANCH AT NEWCASTLE EMLYN

Tregaron, the next to be illustrated. Here one finds the stonework—what there is of it—highly suitable. Should, however, a bank building in the village be the only one mainly in wood and plaster? One cannot help a wood and plaster finish looking rather temporary even if the wood is solid oak and the apparent plaster solid concrete. Otherwise this Tregaron branch is a charming little building and very obviously the village school. "A study in greys," one can imagine the local ladies who practise watercolour drawing calling it in the numberless sketches they will no doubt by now have made of it.

From this simplicity, and more to show the versatility of these architects than anything else, we give two great seaside branches, one at Southport and one at Llandudno. The Southport one of course is out to beat the band. The District bank, generally so discreet in its buildings, had already built in the main street of this town a great Ionic Temple of a bank costing a vast sum of money, and it was obviously up to the other banks to go one better. Instead they went one hundred better.

THE TREGARON BRANCH

Yet, in spite of all its ornament, one must confess there is a certain power in the building. It would be greatly improved, no doubt, if some of the ornament such as the elaborate tripods and the carving over the entrance door were removed. I think this building has been up some time and probably the architects to-day would agree that it now requires a shave. The Llandudno building is much quieter. Like all the work of these extraordinarily versatile architects it takes on the character of its surroundings. Llandudno is in general rather like Cromwell Road, West Kensington, staid but overgrown. It has been well laid out, but most of the buildings were

put up in the dull mid-Victorian period. This one is not dull, but it has the same big, staid Victorian air. It is a great improvement on its near neighbours, but one feels if the architects had not paid so much attention to

THE SOUTHPORT BRANCH

the *genus loci* but had set out rather to please themselves, they would have done much better.

In the Ipswich branch, which is last to be illustrated, one feels they have done not only what they thought right but have enjoyed doing it. Here is obviously an important corner, if one may judge from the complication

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took to banking and established in their town mansion in the eighteenth century a private bank which in due time was bought up by the National Provincial is no doubt by now a matter of local history, though it is not quite

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clear yet why an Italian cardinal was residing in England in the sixteenth century or why he employed in that country a distinguished architect from his own to erect a type of building English architects were not to put up for another two hundred years.